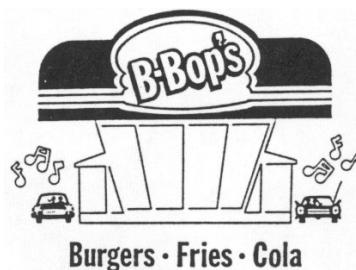


## FRANCHISE DISCLOSURE DOCUMENT

B-Bop's Franchising Corp.  
(an Iowa corporation)  
2900 100<sup>th</sup> St., Suite 302  
Urbandale, Iowa 50322  
(515) 221-3202



The franchisee will operate a drive through hamburger restaurant featuring a limited menu of food and beverage items for on-premises or off-premises consumption, as applicable.

The total investment necessary to begin operation of a B-Bop's Restaurant franchise ranges from \$1,128,200 to \$2,514,200. This includes the \$30,000 that must be paid to the Company.

If you elect to purchase development rights under the multiple-unit arrangement, you must pay the Company a development fee, the amount of which will be determined by multiplying \$5,000 times the number of franchises to be developed under the arrangement.

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.**

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](http://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 25, 2025

## 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:

| <b>QUESTION</b>  | <b>WHERE TO FIND INFORMATION</b>   |
|--|--|
| <b>How much can I earn?</b>  | 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. |
| <b>How much will I need to invest?</b>   | 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.   |
| <b>Does the franchisor have the financial ability to provide support to my business?</b> | Exhibit G includes financial statements. Review these statements carefully.  |
| <b>Is the franchise system stable, growing, or shrinking?</b>                            | Item 20 summarizes the recent history of the number of company-owned and franchised outlets.   |
| <b>Will my business be the only B-Bop's business in my area?</b>                         | Item 12 and the "territory" provisions in the franchise agreement describe whether the franchisor and other franchisees can compete with you.  |
| <b>Does the franchisor have a troubled legal history?</b>                                | Items 3 and 4 tell you whether the franchisor or its management have been involved in material litigation or bankruptcy proceedings.   |
| <b>What's it like to be B-Bop's franchisee?</b>  | Item 20 lists current franchisees. You can contact them to ask about their experiences.  |
| <b>What else should I know?</b>  | 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 Iowa. 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 Iowa 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.

### **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:

| <b>State</b> | <b>Effective Date</b>            |
|--------------|----------------------------------|
| Illinois     | April 26, 2024; pending for 2025 |
| Minnesota    | June 12, 2024; pending for 2025  |

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.

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## **1. THE FRANCHISOR AND ANY PARENTS, PREDECESSORS AND AFFILIATES**

### **FRANCHISOR**

The franchisor is B-Bop's Franchising Corp. To simplify the language used in this disclosure document, the franchisor will be referred to as the "Company". The Company is an Iowa corporation with its principal office located at 2900 100<sup>th</sup> St., Suite 302, Urbandale, Iowa 50322; telephone (515) 221-3202. The Company was incorporated on June 30, 1994 to sell franchises for the operation of B-Bop's Restaurants. The Company does business only under its formal corporate name, "B-Bop's Franchising Corp." The Company's business consists of granting franchises to others for the operation of B-Bop's Restaurants and providing support services to its franchisees. The Company does not currently own or operate a B-Bop's Restaurant, although its affiliate, B-Bop's, Inc., owns and operates ten B-Bop's Restaurants in the Des Moines, Iowa area. The Company began offering franchises for B-Bop's Restaurants in November, 1994. The Company has not offered franchises in any other line of business.

The Company's agents for service of process are listed in Exhibit B to this disclosure document.

### **AFFILIATES/PREDECESSORS**

The Company is affiliated with B-Bop's, Inc. ("B-Bop's"), an Iowa corporation with its principal office located at 2900 100<sup>th</sup> St., Suite 302, Urbandale, Iowa 50322. B-Bop's was incorporated on June 30, 1989 to assume ownership and operation of the original B-Bop's restaurant which began operations in November, 1988 in Des Moines, Iowa. B-Bop's does business under the name, "B-Bop's". Its business consists of owning and operating ten B-Bop's Restaurants in the Des Moines, Iowa area. B-Bop's has not previously offered franchises for the operation of a B-Bop's Restaurant or franchises for the operation of any other type of business.

B-Bop's is also a predecessor of the Company, as the "B-Bop's" trademark and logo and certain proprietary information and trade secrets owned by the Company were acquired on May 17, 1995 from B-Bop's. See Item 13 of this disclosure document for additional information about the B-Bop's trademark.

The Company is owned by Robert D. Johnson as its sole shareholder and, consequently, the Company does not have a parent company. Robert D. Johnson is also the sole shareholder of B-Bop's.

### **THE BUSINESS**

B-Bop's Restaurants feature either one or two drive through service windows and a limited menu of food and beverage items, all designed to provide quick service to customers and accommodate a large customer count. While most customers will consume their B-Bop's food and beverages on an off-premises basis, each B-Bop's Restaurant includes a walk-up service window and outdoor eating facilities to accommodate on-premises consumption. The Company

has redesigned its building for use in some locations to include some indoor customer seating. Four of the existing B-Bop's Restaurants include indoor seating. The B-Bop's uniform limited menu currently features single and double hamburgers and cheeseburgers, pork loin fritters, chicken sandwiches, chili, sloppy joe sliders, french fries and beverages, including milk shakes and soft drinks. The physical layout of a B-Bop's Restaurant without indoor seating consists of a stylized building of approximately 1,000 square feet, either two drive through lanes which are served from opposite sides of the building or one drive through lane which is served from one side of the building, outdoor eating facilities and a limited parking area. As noted above, the Company has redesigned its building for use in some locations to include approximately 380 square feet of indoor seating which adds approximately 480 square feet to the building. The Company has the right, in its sole discretion, to determine whether the building at a specific location will have one or two drive through lanes and whether it will include indoor seating.

The purchase of a franchise from the Company for operation of a B-Bop's Restaurant (a "Franchise") entitles the franchisee to display the "B-Bop's" trademark and related logo (the "Licensed Marks"), and to utilize the system developed by B-Bop's and the Company to establish, operate and promote a B-Bop's Restaurant, which system includes a unique and readily recognizable design, color scheme, layout and signage for the business premises, equipment selection and installation, accounting methods, marketing and promotional techniques, personnel training and a confidential manual of operating procedures (the "Licensed System").

There are no governmental regulations that apply only to the fast food restaurant industry. A B-Bop's Restaurant must, however, comply with federal, state and local laws that mandate certain health and sanitation requirements for all restaurants. You are encouraged to inquire about the laws, regulations and ordinances that will apply to operation of a B-Bop's Restaurant.

The primary market for the food and beverage items sold at a B-Bop's Restaurant is the general public. A B-Bop's Restaurant will compete with other hamburger and fast food restaurants located within the general trade area, as well as with full service restaurants and grocery and convenience stores selling quick service food and beverage items. The market for B-Bop's products is well developed in most areas.

## MARKETING OF FRANCHISES

The Company will employ both single-unit and multiple-unit arrangements in marketing and establishing its Franchises.

The person (or persons) who sign a franchise agreement with the Company will be referred to in this disclosure document as "you". Certain provisions of the franchise agreement will also apply to your partners (if you are a partnership), to your shareholders (if you are a corporation), to your members (if you are a limited liability company) and to certain other parties involved in your business, such as guarantors or managers.

Under the single-unit arrangement, the Company will grant you (if the Company approves your application) the right to own and operate one Franchise at a specified location under the Franchise Agreement in the form attached to this disclosure document as Exhibit C

(the "Franchise Agreement"). In the event you are a corporation, limited liability company or partnership, your shareholders, members or partners will be required to personally guaranty your obligations under the Franchise Agreement.

Under the multiple-unit arrangement, the Company utilizes the Multiple-Unit Development Agreement attached hereto as Exhibit D (the "Development Agreement") to grant development rights. If the Company approves your application for development rights, you will sign a Development Agreement and be granted the right to establish a specified number of Franchises in a defined trade area in accordance with a development schedule negotiated between you and the Company. So long as you comply with the development schedule (and the Development Agreement otherwise remains in effect), the Company and its affiliates cannot develop the defined trade area through the establishment of Company-owned units or through the sale of Franchises to other persons. Each Franchise established in the trade area will be governed by a separate franchise agreement you must sign, with such franchise agreement to be in the form of the standard franchise agreement being utilized by the Company at the time to grant new Franchises. The multiple-unit arrangement will be used only in larger metropolitan areas that are capable of supporting a number of Franchises. In the event you are a corporation, limited liability company or partnership, your shareholders, members or partners will be required to personally guaranty your obligations under the Development Agreement and each franchise agreement executed with the Company.

This disclosure document relates to and discusses the offering of Franchises by the Company under both the single-unit and multiple-unit arrangements.

## **2. BUSINESS EXPERIENCE**

Robert D. Johnson - Director, President, Treasurer and Secretary

Mr. Johnson, the originator of the B-Bop's Restaurant concept, has been employed as President of the Company since its formation in July, 1994 and as President of B-Bop's since formation of that corporation in June, 1989. Mr. Johnson has not been employed in any other capacity in the past five years. The Company and B-Bop's both maintain their principal offices in Urbandale, Iowa. He is the sole director and the President, Treasurer and Secretary of the Company.

## **3. LITIGATION**

No litigation is required to be disclosed in this disclosure document.

## **4. BANKRUPTCY**

No bankruptcies are required to be disclosed by this Item.

## 5. INITIAL FEES

The fee structure imposed by the Company varies depending on whether you are purchasing one Franchise under the single-unit arrangement or the right to develop a number of Franchises under the multiple-unit arrangement.

### SINGLE-UNIT ARRANGEMENT

Initial Franchise Fee. The amount of the initial franchise fee to be paid for the purchase of one Franchise under the single-unit arrangement depends on whether you already own and operate an existing Franchise. If you do not own an existing Franchise, the initial franchise fee is \$30,000. Of that amount, a \$5,000 deposit (described below) must be paid when you submit an executed Application Agreement (Exhibit E hereto) to the Company for the purchase of a Franchise. If the Company decides to grant you a Franchise, you must pay the remaining \$20,000 of the initial franchise fee when you execute the Franchise Agreement.

If you already own and operate an existing Franchise, the initial franchise fee is \$25,000. This amount must be paid when you execute the Franchise Agreement for the additional Franchise.

Except under the limited circumstances discussed below, the initial franchise fee is not refundable, in whole or in part, under any circumstances. Except as discussed above, the initial franchise fee for Franchises purchased under the Company's single-unit arrangement is uniform in all cases.

The Company also provides opening assistance for a period of between three and five days prior to the opening of the Franchise and for a period of four to six days immediately following the opening of the Franchise as a part of the Franchise Fee. You are required to pay for all round trip airline and hotel expenses incurred by the Company for its representatives providing the opening assistance.

Deposit on Application. To apply for purchase of an initial Franchise, you must sign and submit an Application Agreement to the Company, accompanied by a deposit of \$5,000. The amount of the deposit is uniform as to all persons currently applying to purchase an initial Franchise. Upon submission of the deposit and an Application Agreement, the Company will provide certain services (specified in Item 11 hereof) to assist you in assessing the feasibility of purchasing a Franchise if Company determines that a Franchise should be granted. The Company has absolute discretion in determining whether a Franchise will be granted. You will be notified by the Company in writing within ninety (90) days of submitting the Application Agreement regarding its decision to grant a Franchise (unless such period is extended in the Company's discretion).

In the event the Company decides to grant you a Franchise, the deposit will be applied toward payment of the initial franchise fee. If, on the other hand, the Company determines that a Franchise will not be granted, or if either party terminates the Application Agreement before a decision on granting a Franchise has been made, a portion of the deposit will be refunded to you

once you have returned any confidential information which may have been provided to you by the Company. The refund will be equal to the amount of deposit minus the lesser of: (i) \$4,500; or (ii) the actual expenses (including travel and lodging expenses and a \$100 hourly fee for office time) incurred by the Company in providing the services required under the Application Agreement. The Application Agreement may be terminated by either party at any time by written notice to the other, in which event you will be entitled to a refund of the deposit calculated in accordance with the method described above.

If you already own an existing Franchise, you will not be required to execute an Application Agreement or to pay a deposit in connection with the purchase of an additional Franchise from the Company.

#### MULTIPLE-UNIT ARRANGEMENT

Development Fee. If you elect to purchase development rights under the multiple-unit arrangement, you must pay the Company a development fee. The amount of the development fee will vary and will be determined by multiplying \$5,000 times the number of Franchises to be developed according to the development schedule. The sum of \$5,000 of the development fee will be allocated towards satisfaction of the initial franchise fee payable for each Franchise established under the Development Agreement. If you establish all of the Franchises specified in the development schedule, the entire development fee will be applied towards payment of the initial franchise fees due to the Company. If you fail to comply with the development schedule (or otherwise default under the Development Agreement) and the Development Agreement is terminated, the Company will be entitled to retain that portion of the development fee that has not been applied towards payment of initial franchise fees prior to such termination. The development fee must be paid upon execution of the Development Agreement. You will receive a credit of \$5,000 toward payment of such fee from the deposit paid upon execution of the Application Agreement (see below). Except as noted below, the development fee is not refundable in whole or in part under any circumstances.

Initial Franchise Fee. The initial franchise fee payable for the first Franchise established under the multiple-unit arrangement is \$30,000. The Company's opening assistance for a period of between three and five days prior to the opening of the Franchise and for a period of four to six days immediately following the opening of the Franchise (other than the Company's out-of-pocket costs for airline and hotel expenses for the people provided by the Company for the opening assistance) is provided by the Company as a part of the initial franchise fee. See Item 11 for more information on opening assistance. Each additional Franchise established under the multiple-unit arrangement requires payment of an initial franchise fee of \$20,000. The initial franchise fee for each Franchise is required to be paid to the Company upon execution of the then current franchise agreement granting you the right to establish the Franchise. As noted above, \$5,000 of the development fee will be applied by the Company toward the initial franchise fee payable for each Franchise established under the Development Agreement. The initial franchise fee for Franchises purchased under the multiple-unit arrangement is uniform in all cases. Except as noted below, such fee is not refundable, in whole or in part, under any circumstances. You must pay, on demand, any out-of-pocket airline and hotel expenses incurred by the Company to provide the opening assistance, and none of those costs will be refundable.

**Deposit on Application.** To apply for purchase of development rights, you must sign and submit an Application Agreement to the Company, accompanied by a deposit of \$5,000. The amount of the deposit is uniform as to all persons currently applying to purchase development rights from the Company. Upon submission of the deposit and Application Agreement, the Company will provide certain services (specified in Item 11 hereof) to assist you in assessing the feasibility of purchasing the development rights if Company determines that such rights should be granted. The Company has absolute discretion in determining whether the development rights will be granted. You will be notified by the Company in writing within ninety (90) days of submitting the Application Agreement regarding its decision to grant the development rights (unless such period is extended in the Company's discretion).

In the event the Company decides to grant you the development rights, the deposit will be applied toward payment of the development fee. If, on the other hand, the Company determines not to grant such rights, or if the Application Agreement is terminated by either party before a decision on granting the developments rights has been made, a portion of the deposit will be refunded upon return of any confidential information which may have been provided to you by the Company. The refund will be equal to the amount of the deposit minus the lesser of: (i) \$4,500; or (ii) the actual expenses (including travel and lodging expenses and a \$100 hourly fee for office time) incurred by the Company in providing the services required under the Application Agreement. The Application Agreement may be terminated by either party at any time by written notice to the other, in which event the applicant will be entitled to a refund of the deposit calculated in accordance with the method described above.

## 6. OTHER FEES

### SINGLE-UNIT ARRANGEMENT

| Type of Fee <sup>1</sup> | Amount                          | Due Date                                       | Remarks  |
|--------------------------|---------------------------------|--|--|
| Royalty and service fee  | 5% of gross sales. <sup>2</sup> | Payable monthly on the 20th day of each month. |  |
| Advertising fee          | 3% of gross sales.              | Payable monthly on the 20th day of each month. | The Company may elect, within its discretion, to waive the advertising fee. See Item 11 of this disclosure document for a detailed discussion. |

|   |   |   |   |
|---|---|---|---|
| Late fee and interest on past due payments  | \$200 plus interest at 1.5% per month (or, if less, the maximum rate permitted by applicable state law) on amounts past due.  | As incurred.  | Any payment not received by the Company on or before its due date is deemed to be past due. If any payment is past due, you must pay the Company, in addition to the past due amount, a late fee of \$200 plus interest at the rate specified above on the past due amount from the date it was due until paid in full. |
| Interest on deficiency in fees resulting from under reporting of gross sales; audit expense | Interest at the rate of 1.5% per month (or, if less, the maximum rate permitted by applicable state law) on any deficiency determined to exist. If the amount of gross sales has been understated by more than 3%, you must pay the cost of the audit, including any travel, lodging, wages, accounting and related expenses. | On demand by the Company.   | The Company has a right to audit your books and records for a period of five (5) years after the submission of any financial report for purposes of determining whether gross sales in your report are accurate.  |
| Renewal fee   | \$5,000. If relocation of the Franchise is involved as part of renewal process, an additional fee of up to \$1,000 must be paid.  | Upon execution of a new franchise agreement for the renewal term.                               | The renewal fee must be paid for the renewal of a Franchise.  |
| Transfer fee  | \$3,000 <sup>3</sup>  | Before consummation of the transfer of the Franchise or, if applicable, the development rights. | See footnote 3.   |

|                              |                                   |   |  |
|------------------------------|-----------------------------------|---|--|
| Relocation fee               | \$2,000                           | Upon approval of a new location by the Company. | The relocation fee must be paid only if the Franchise must be moved to a new location during the term of the Franchise Agreement as a result of the termination of a lease, the destruction of the premises by fire or other casualty or the commencement of eminent domain proceedings.       |
| Indemnification              | Will vary.                        | As incurred.                                    | You must reimburse the Company (or its affiliates) if the Company (or its affiliates) are sued or held liable for any claim resulting from operation of your Franchise or, if applicable, the exercise of your development rights.   |
| Additional training          | Up to \$2,000.                    | Prior to training course.                       | The additional training fee is only payable if you or your manager elect to receive additional training. See Item 11 of this disclosure document for details.  |
| Special operating assistance | As agreed by you and the Company. | As incurred.                                    | The Company will provide two support trips per year to the Franchise premises. Additional support requested by you will be at your expense. The expenses for additional support trips will typically include the travel, lodging, meals and a per diem charge for the services being rendered. |

|  |   |                      |   |
|--|---|----------------------|---|
| Attorneys fees and costs                             | Will vary.  | As incurred.         | Attorneys fees and costs are payable by you if the Company prevails in a litigation or arbitration proceeding against you to collect amounts owing by you or to otherwise enforce the Franchise Agreement.  |
| Reimbursement of Company expenditures on your behalf | Actual amount of expenses incurred by the Company. <sup>4</sup> | As incurred.         | Any payment not received by the Company on or before its due date is deemed to be past due. If any payment is past due, you must pay the Company, in addition to the past due amount, a late fee of \$200 plus interest at the rate specified above on the past due amount from the date it was due until paid in full. |
| Independent advertising expenditures                 | 2% of gross sales.  | During each quarter. | See Item 11 of this disclosure document for a detailed discussion.  |

NOTES:

<sup>1</sup> All fees and other amounts noted in this table are imposed by and payable to the Company, except for the independent advertising expenditure which is imposed by the Company, but payable to local advertising sources. All fees and other amounts payable to the Company are non-refundable.

<sup>2</sup> "Gross sales" means the aggregate amount of sales of food, beverage and promotional items generated by the Franchise and includes all sales, receipts and revenues in any form and from any and all sources whatsoever, directly or indirectly, received through operation of the Franchise, whether for cash or credit and regardless of collection in the case of credit. "Gross sales" does not include the amount of any sales or other taxes imposed by any governmental authority directly on sales and collected from customers, provided that the amount of such tax is added to the selling price or otherwise absorbed therein and actually paid to such governmental authority.

<sup>3</sup> The transfer fee must be paid in connection with any transfer of the Franchise as a whole or as a result of the transfer of any controlling ownership interest in the entity which owns the Franchise, except that payment of the fee is not required if: (i) you are a natural person and you transfer the Franchise to an entity of which you will be the majority owner and act as the principal executive; or (ii) the Franchise, or a controlling ownership interest in the entity owing the Franchise, must be transferred as a result of your death or disability. A transfer fee of \$3,000 must also be paid under the Development Agreement in connection with any transfer of the development rights or any transfer of a controlling ownership interest in the entity which owns the development rights, subject to the same two exceptions noted above. See Item 17 of this disclosure document.

<sup>4</sup> If you fail to perform any of your obligations imposed by the Franchise Agreement, the Company may (but shall not be required to) perform such obligations on your behalf and at your expense, after giving you reasonable prior notice of its intention to do so. If the Company elects to perform any of your obligations, you must reimburse the Company on demand for all amounts paid by the Company in performing such obligations, plus

interest (at the rate disclosed above) from the date of payment by the Company. Situations in which the Company is entitled to reimbursement for the performance of your obligations include, without limitation: (a) your failure to procure insurance coverage for the Franchise; (b) your failure to maintain the Franchise in a clean, safe and attractive condition; or (c) your failure upon termination or expiration of the Franchise Agreement to cease all display of the Licensed Marks or to make such modifications and alterations to the Franchise premises as may reasonably be necessary to effectively distinguish the Franchise premises from the appearance of a B-Bop's Restaurant.

## MULTIPLE-UNIT ARRANGEMENT

If you purchase development rights from the Company, you will be required to establish the number of Franchises prescribed by the Development Agreement and, for each Franchise, to execute the standard form of franchise agreement being used by the Company at the time each Franchise is established. On each occasion that you execute the standard franchise agreement for the establishment of a Franchise, you will be required by such agreement to pay a variety of fees and amounts to the Company. The fees and payments imposed under the current Franchise Agreement are described in the table set forth above. You should understand, however, that the standard form of franchise agreement utilized by the Company in the future may impose fees and payments that materially differ in amount and nature from those described above.

### 7. ESTIMATED INITIAL INVESTMENT

#### SINGLE UNIT ARRANGEMENT

| <b>Type of Expenditure</b>                                  | <b>Amount</b>   | <b>Method of Payment</b> | <b>When Due</b>  | <b>To Whom Payment is to be Made</b> |
|---|---|--------------------------|--|--------------------------------------|
| Application deposit <sup>1</sup>                            | \$5,000   | Lump sum                 | Upon submission of Application Agreement   | Company                              |
| Initial franchise fee <sup>1</sup>                          | \$30,000 for first Franchise purchased;<br>\$20,000 for each additional Franchise | Lump sum                 | Upon execution of the Franchise Agreement; \$2,500 credit allowed for deposit paid under Application Agreement | Company                              |
| Real estate <sup>2</sup>                                    | Not subject to accurate estimation  | --                       | --   | --                                   |
| Architectural expenses <sup>3</sup>                         | \$20,000 to \$60,000  | As agreed                | Prior to opening   | Architect and engineers              |
| Construction of building (including site work) <sup>4</sup> | \$700,000 to \$1,800,000  | As agreed                | Prior to opening   | Contractor and sub-contractors       |

|   |                        |             |                               |  |
|---|------------------------|-------------|-------------------------------|--|
| Equipment and fixtures <sup>5</sup>                         | \$210,000 to \$270,000 | As agreed   | Prior to opening              | Suppliers                                |
| Signage <sup>6</sup>  | \$40,000 to \$60,000   | As agreed   | Prior to opening              | Suppliers                                |
| Training expenses <sup>7</sup>                              | \$1,000 to \$10,000    | As incurred | Prior to opening              | Third parties                            |
| Initial inventory <sup>8</sup>                              | \$5,000 to \$10,000    | As agreed   | Prior to opening              | Suppliers                                |
| Additional funds through 3 months of operation <sup>9</sup> | \$100,000 to \$250,000 | As agreed   | As incurred                   | Employees, utilities and suppliers, etc. |
| Insurance <sup>10</sup>                                     | \$10,000 to \$25,000   | As agreed   | As incurred                   | Insurance company                        |
| Miscellaneous expenses <sup>11</sup>                        | \$10,000 to \$35,000   | As agreed   | As incurred                   | Utilities, vendors, etc.                 |
| Advertising <sup>12</sup>                                   | \$1,000 to \$10,000    | As agreed   | Prior to opening              | Suppliers                                |
| Opening Assistance <sup>13</sup>                            | \$1,200 to \$4,200     | As incurred | Upon demand following opening | Company                                  |

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Estimated total initial investment (excluding developmental fee, if applicable, and real estate)<sup>14,15</sup> \$1,128,200 to \$2,514,200

NOTES:

<sup>1</sup> Payment of the deposit and the initial franchise fee are discussed in detail in Item 5 of this disclosure document. Payment of the deposit is not required if you already own a Franchise.

<sup>2</sup> You will need to purchase or lease a parcel of real estate of at least 28,000 square feet on which the Franchise premises will be constructed in accordance with plans and specifications provided by the Company. Typical locations for a B-Bop's Restaurant include sites adjoining major thoroughfares near shopping centers or other commercial areas. The cost of purchasing or leasing such property will vary significantly between localities and cannot be estimated by the Company with any meaningful degree of accuracy.

<sup>3</sup> Includes the expense of transforming the Company's construction specifications into site-specific blueprints and review and certification by an architect to assure that such blueprints comply with all local codes, regulations and ordinances applicable to construction of the Franchise premises. You must obtain the Company's written approval of the site specific blueprints prior to the commencement of construction. See Item 1 of this disclosure document for additional information relating to the building requirements

<sup>4</sup> Includes amounts necessary to construct the restaurant facility and complete site work and landscaping of the real estate. See Item 1 of this disclosure document for additional information relating to the building requirements. You may select a contractor of your own choice to perform the necessary construction services. The cost of construction will vary from one location to the next, depending on condition of the real estate (including the existence of any structures to be demolished), local labor costs, local building codes and requirements and based upon whether you will be required to include indoor seating.

<sup>5</sup> The equipment and fixtures must be purchased in accordance with specifications provided by the Company. See Item 8 of this disclosure document for additional information regarding the purchase of equipment and supplies for the Franchise.

<sup>6</sup> The cost of signage will vary depending on the size, number and type of signs for the Franchise premises, as dictated by local sign ordinances and Company specifications.

<sup>7</sup> You are responsible for paying all costs of attending the initial training course, including travel, lodging, meal and wage expenses, for yourself and any of your employees.

<sup>8</sup> Consists of food and beverage items and supplies sufficient for approximately seven (7) to twelve (12) days of operation of the Franchise.

<sup>9</sup> This item estimates your additional expenses before operations begin and your ordinary recurring business expenses for a three month period after operation of the Franchise commences which are in addition to the other expenditures listed in this Item 7. The estimated amounts do not include the royalty and service fee or the advertising fee you must pay to the Company, and assume that none of your expenses will be offset by any sales generated during the initial three months of operations. The expenses include items such as employee wages, additional inventory and supplies, utility payments, maintenance expenses and independent advertising. This amount does not, however, include any payments to be made for the purchase or rental of real estate or for any debt service or lease payments you may have incurred to finance the establishment of the Franchise. These figures are estimates only, and the Company cannot guaranty that you will not have additional expenses in commencing operation of your business. The estimates were based by the Company in reliance upon the experience of its affiliate, B-Bop's, in establishing and operating ten B-Bop's restaurants in the Des Moines, Iowa area. Your costs will depend on a variety of factors such as your management skill and experience, economic conditions, the local market for the Franchise, competition and the performance of your Franchise.

<sup>10</sup> Consists of estimated annual premiums for property, liability and workers compensation insurance.

<sup>11</sup> This item covers miscellaneous opening costs and prepaid expenses, such as installation of telephones, deposits for gas, electricity and other utilities, any business licenses and legal and accounting expenses.

<sup>12</sup> You are not required by the Franchise Agreement or otherwise to purchase any advertising or promotional materials in connection with opening of the Franchise. You may, however, elect to promote the opening of the Franchise and the Company estimates that the expense of promotional materials will be in the range indicated above.

<sup>13</sup> The Company will provide assistance to you immediately prior to and following the opening of the Franchise and you are obligated to reimburse the Company for certain travel expenses incurred by the Company in providing its representatives to provide the assistance which is discussed in more detail in Item 11.

<sup>14</sup> The estimated expenses in the table were prepared by the Company in reliance on the experience of its affiliate, B-Bop's, in establishing and operating ten B-Bop's Restaurants. You should review these figures carefully with a business advisor before making any decision to purchase a Franchise.

<sup>15</sup> Neither the Company, nor any of its affiliates, offers financing in connection with the initial investment as described above. You should be aware that the availability and terms of financing will depend on a number of factors, such as the availability of financing generally, your credit history and credit worthiness, the amount and type of collateral that you may have available to pledge as security and the policies followed by lending institutions in your area concerning the type of business you will be operating.

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## MULTIPLE-UNIT ARRANGEMENT

If you choose to obtain development rights under the Development Agreement, you will be required to pay to the Company a development fee as described in Item 5 of this disclosure document.

For each Franchise you establish under the Development Agreement, you will be required to execute the then current version of the franchise agreement and you will be required to undertake an initial investment to establish the Franchise. The Company's estimate of the initial investment currently required to establish a Franchise appears above. You should understand, however, that the initial investment required to establish Franchises in the future may be materially different from that described above.

## **8. RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES**

Purchases from Required Sources. You are not required by the terms of the Franchise Agreement or otherwise to purchase or lease from the Company or any particular source designated by the Company any goods, services, supplies, fixtures, equipment, inventory or real estate necessary for the establishment or operation of the Franchise. The Company, however, reserves the right under the terms of the Franchise Agreement to require that inventory and other supplies necessary for operation of the Franchise (which may include any new items added to the Licensed System from time to time) be purchased through the Company or a designated source. The Company, however, has no current plans to require that any inventory or supplies be purchased through the Company or any designated source or to add any new items to the Licensed System which must be purchased through the Company or any designated source.

Purchase Specifications. To maintain uniformity in use of the Licensed System, you will be required by the Franchise Agreement to purchase all items necessary to establish and operate the Franchise in accordance with specifications established by the Company, and to purchase items bearing the "B-Bop's" name and logo (primarily consisting of employee uniforms and paper products) from suppliers approved in advance by the Company. Items to be purchased in accordance with specifications include the following:

- (a) Real estate. Your site must be approved by the Company as being suitable for a B-Bop's Restaurant.
- (b) All materials necessary for construction and decoration of the Franchise premises.
- (c) All equipment and fixtures necessary for operation of the Franchise. Specifications for equipment and fixtures relate primarily to the manufacturer and model number of such items.
- (d) An electronic cash register system and related software.
- (e) All signage. Specifications for signage relate primarily to the size, color and manner of display of the "B-Bop's" name and logo.
- (f) All inventories of food and beverage items and ingredients, including the Company's proprietary hamburger seasoning. Specifications for inventory relate primarily to the type and brand of food and beverage items required to prepare the products offered as part of the standard B-Bop's Restaurant menu. The seasoning

will be produced by a manufacturer licensed by the Company and you must purchase the seasoning from the food distributor of our choice.

- (g) All supplies, including all paper products. Specifications for supplies relate primarily to the type, brand and size of items required to operate the business and, with respect to paper products, the use of the "B-Bop's" name and logo. The requirement to purchase "logo" items from approved suppliers is discussed below.
- (h) Employee uniforms. The requirement to purchase uniforms from approved suppliers is discussed below.
- (i) Insurance coverage. You will be required to maintain property insurance in the minimum amount of the full replacement value of the premises and equipment, liability insurance in the minimum amount of \$2,000,000 and workers compensation insurance as required by the laws of the applicable jurisdiction.

The Company has formulated its specifications based on the experience of its affiliate, B-Bop's, in establishing and operating ten B-Bop's Restaurants. Any modifications which the Company may from time to time make to its specifications will be based on B-Bop's continuing experience and its own experience in franchising B-Bop's Restaurants. All specifications relating to construction materials, equipment, fixtures and signage are contained in the Company's construction specifications which will be provided to you after you have executed the Franchise Agreement and paid the initial franchise fee. Specifications relating to inventories of food and beverage items, ingredients, supplies and other items necessary for operation of the Franchise are contained in the Operations Manual provided to you prior to the initial training course. Any modifications which the Company may from time to time make to the specifications will be distributed to you in the form of updates to the Operations Manual or through written reports or memoranda. Except to the extent noted below with respect to employee uniforms and other items bearing the "B-Bop's" logo (including paper products), you may purchase items meeting the Company's specifications from the source of your choosing.

The Company estimates that approximately 90% to 95% of your total purchases associated with establishing your Franchise and 90% to 95% of your total purchases associated with the ongoing operation of your Franchise must conform to Company specifications. The Company will receive a rebate of 25¢ for each gallon of Pepsi-Cola products purchased by its franchisees from Pepsi-Cola distributors. The Company contemplates that rebate arrangements based on franchisee purchases may be negotiated in the future with other suppliers.

Approved Suppliers. Except as noted below, the Company currently neither maintains a list of approved suppliers nor criteria for approving suppliers. The Company, however, reserves the right under the Franchise Agreement to require that you make purchases from an approved supplier should the Company so elect in the future.

You are currently required to purchase all employee uniforms and any other items bearing the "B-Bop's" logo (including paper products) from suppliers which have been approved in advance by the Company. The Company does not maintain a formal list of criteria for

approving suppliers of these items and those firms currently recognized as approved suppliers have received their approval based on the experience of B-Bop's in purchasing supplies for its ten stores. Currently, the only approved supplier for employee uniforms is Carpenter Uniform Co. of Des Moines, Iowa. Currently, the only approved supplier of items bearing the "B-Bop's" logo is Martin Brothers Distributing Co., Inc. of Cedar Falls, Iowa. Currently, the only approved supplier of the Company's shake mix is Anderson Erickson Dairy Co. of Des Moines, Iowa. None of the foregoing approved suppliers are affiliated with the Company or B-Bop's in any manner and neither the Company nor B-Bop's holds an ownership interest in any of these approved suppliers. Neither the Company nor B-Bop's will derive any revenue or other material consideration through your purchase of these items from any approved supplier. The Company estimates that approximately ninety-five percent (95%) of your total purchases associated with establishing your Franchise and approximately ninety-five percent (95%) of your total purchases associated with the ongoing operation of your Franchise must be made from suppliers approved by the Company.

In the event you propose to make purchases of employee uniforms or items bearing the B-Bop's logo from any supplier other than the approved suppliers noted above, you must notify the Company in writing and submit such samples of the items as the Company may in its discretion deem necessary in order to determine whether to approve the alternative supplier as an "approved supplier" of the particular item. The Company will undertake such review and testing of the item as it may in its discretion deem necessary to determine whether the item meets the specifications established by the Company. The Company will advise you within a reasonable period (usually thirty (30) days) whether the particular item meets the specifications and whether the supplier will be deemed an "approved supplier" for the purchase of such item. All decisions regarding the approval of any alternative supplier shall be made in the sole discretion of the Company. The Company does not maintain a formal list of criteria for approving suppliers. The Company does not maintain a formal procedure for revocation of any approval and any revocation will be handled on a case by case basis.

The Company does not currently negotiate purchase arrangements with any suppliers for the benefit of its franchisees. The Company does not provide any material benefits to its franchisees based on purchases from any approved supplier or other source.

The Company has not established any purchasing or distribution cooperatives for the benefit of its franchisees.

## **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.

| <b>Obligation<sup>1</sup></b>                               | <b>Section in Agreement<sup>2</sup></b>   | <b>Disclosure Document Item</b> |
|---|---|---------------------------------|
| A. Site selection and acquisition/lease                     | Section 3 of Application Agreement; Sections 4 and 5 of Franchise Agreement; Sections 4, 5, 7 and 9 of Development Agreement                            | Items 7, 11 and 12              |
| B. Pre-opening purchases/leases                             | Sections 5 and 6 of Franchise Agreement   | Items 7 and 8                   |
| C. Site development and other pre-opening requirements      | Section 3 of Application Agreement; Sections 4, 5 and 6 of Franchise Agreement; Sections 1, 4, 5, 6 and 7 of Development Agreement                      | Items 7, 11 and 12              |
| D. Initial and ongoing training                             | Sections 7 and 11 of Franchise Agreement  | Items 7 and 11                  |
| E. Opening  | Sections 4 and 5 of Franchise Agreement; Sections 1, 4 and 7 of Development Agreement   | Items 7 and 11                  |
| F. Fees   | Section 2 of Application Agreement; Sections 9, 10, 11, 15, 18, 19, 24 and 26 of Franchise Agreement; Sections 3, 6, 13 and 16 of Development Agreement | Items 5, 6 and 7                |
| G. Compliance with standards and policies/operations manual | Sections 1, 5, 6, 8, 10 and 13 of Franchise Agreement   | Items 8, 11, 15 and 16          |
| H. Trademarks and proprietary Information                   | Section 5 of Application Agreement; Sections 1, 12 and 13 of Franchise Agreement; Sections 9 and 10 of Development Agreement                            | Items 5, 13 and 14              |
| I. Restrictions on products/services offered                | Section 10 of Franchise Agreement   | Items 8 and 16                  |
| J. Warranty and customer Service requirements               | Section 10 of Franchise Agreement   | Item 16                         |
| K. Territorial development and sales quota                  | Sections 1 and 4 of Development Agreement   | Item 12                         |
| L. Ongoing product/service Purchases                        | Sections 6 and 8 of Franchise Agreement   | Items 8 and 11                  |
| M. Maintenance, appearance and remodeling requirements      | Sections 1, 10 and 18 of Franchise Agreement  | Items 7 and 17                  |
| N. Insurance  | Section 14 of Franchise Agreement   | Items 7 and 8                   |
| O. Advertising  | Sections 9, 10 and 11 of Franchise Agreement  | Items 6, 7 and 11               |

|  |  |                |
|--|--|----------------|
| P. Indemnification                           | Section 15 of Franchise Agreement; Section 16 of Development Agreement                                     | Item 6         |
| Q. Owner's participation/management/staffing | Section 10 of Franchise Agreement  | Item 15        |
| R. Records and reports                       | Sections 9 and 10 of Franchise Agreement; Section 8 of Development Agreement                               | Items 6 and 12 |
| S. Inspections and audits                    | Sections 9 and 10  | Items 6 and 11 |
| T. Transfer                                  | Sections 19 and 20 of Franchise Agreement; Sections 13 and 14 of Development Agreement                     | Item 17        |
| U. Renewal                                   | Section 18 of Franchise Agreement; Section 2 of Development Agreement                                      | Item 17        |
| V. Post-termination obligations              | Section 5 of Application Agreement; Section 25 of Franchise Agreement; Section 11 of Development Agreement | Items 5 and 17 |
| W. Non-competition covenants                 | Section 17 of Franchise Agreement; Section 12 of Development Agreement                                     | Item 17        |
| X. Dispute resolution                        | Section 27 of Franchise Agreement; Section 17 of Development Agreement                                     | Item 17        |
| Y. Release of all claims                     | Sections 18 and 19 of Franchise Agreement; Section 13 of Development Agreement                             | Item 17        |
| Z. Opening Assistance                        | Sections 7 and 8 of the Franchise Agreement  | Items 7 and 11 |

<sup>1</sup> Each of the obligations specified in this table will also become the personal obligation of any person required by the Company to execute a guaranty of the Franchise Agreement or Development Agreement.

<sup>2</sup> If you are purchasing one Franchise under the Company's single-unit arrangement, the obligations imposed by the Application Agreement and Franchise Agreement will be applicable to you. The obligations imposed by the Development Agreement are applicable only if you have purchased multiple-unit development rights from the Company.

## **10. FINANCING**

The Company does not offer direct or indirect financing and will not guarantee your note, leases or other obligations.

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

### **SINGLE-UNIT ARRANGEMENT**

**Except as listed below, the Company is not required to provide you with any assistance.**

Company's Preopening Obligations. The Company will provide to you the following services and/or assistance prior to the opening of the Franchise:

1. The Company will undertake such activities, including on-site reviews, as the Company deems necessary to determine the suitability of potential sites you have submitted for approval and will either accept or reject your proposal. (Section 2 of the Application Agreement and Section 8(A) of the Franchise Agreement) The Company will not purchase the premises and lease it to you.
2. The Company will provide you with construction plans and specifications from which you will be responsible for having site specific plans and specifications prepared for construction of the Franchise premises and for having the plans and specifications certified. You are required to bear all expenses associated with (i) transforming the Company's plans and specifications into site specific plans and specifications (ii) assuring that such plans and specifications comply with all local codes, regulations or ordinances applicable to construction of the Franchise premises and (iii) having the plans and specifications certified. The plans and specifications shall remain the confidential property of the Company at all times and must be returned to the Company after construction of the Franchise premises is completed. No modifications of the Company's plans and specifications can be made without the Company's prior consent and any such consent will be subject to the person making the modification executing and delivering to the Company an assignment of such person's rights in the modified plans and specifications. (Section 8(B) of the Franchise Agreement)
3. The Company will provide you (or your proposed manager) with a training course regarding the procedures and methods for management and operation of the Franchise. The course and all materials necessary to conduct such training will be provided at the expense of the Company for up to two (2) persons. The Company will undertake the training of additional persons for a fee agreed upon in advance. (Section 7 of the Franchise Agreement)
4. The Company will loan you its confidential Operations Manual describing the Licensed System and the standard operating procedures and policies to be used in connection therewith. The Operations Manual will at all times remain the exclusive and confidential property of the Company and must be returned to the Company immediately in the event the Franchise is for any reason terminated or expires. (Section 8(D) of the Franchise Agreement)
5. The Company will provide you with its specifications for the purchase of equipment and fixtures for the Franchise premises. You will be responsible for purchasing and installing these items in accordance with the Company's specifications. The Company will also provide you with its specifications for the

purchase of food and beverage items and the names of its approved suppliers for employee uniforms and items bearing the "B-Bop's" logo. (Section 8(E) of the Franchise Agreement)

6. The Company will conduct a pre-opening inspection to confirm that the Franchise premises has been constructed in accordance with the site specific plans and specifications. (Section 5 of the Franchise Agreement)
7. The Company will, for a period of between three and five days prior to the opening of the Franchise, with the exact number of days determined by the Company, provide, at the Franchise premises, between one and four persons to assist the Franchisee in the preparation for the opening of the Franchise. You or your manager will be required to be present at the Franchise premises during the time the Company's people are at the Franchise premises providing the assistance. You will be required to reimburse the Company for the cost of round-trip airline tickets, if applicable, and for the hotel expenses for the Company's people providing the assistance. (Section 7 of the Franchise Agreement)

Company Obligations During Operations. During operation of the Franchise, the Company is required to provide you with the following supervision, assistance or services:

1. The Company will, for a period of between four and six days immediately following the opening of the Franchise, with the exact number of days determined by the Company, provide between one and four persons to assist the Franchisee in the operation of the Franchise following the opening. You or your manager will be required to be present at the Franchise premises during the time the Company's people are at the Franchise premises providing the assistance. You will be required to reimburse the Company for the cost of round-trip airline tickets, if applicable, and for the hotel expenses for the Company's people providing the assistance. (Section 7 of the Franchise Agreement)

2. The Company will, during any period when it requires you and the other franchisees to pay all or part of the advertising fee, develop advertising, promotional and public relations campaigns to promote the B-Bop's Restaurant system. You are, however, responsible for paying the cost of implementing such advertising as part of the independent advertising expenditure requirement. The Company will not, however, be required to develop and provide advertising and promotional materials to you during any period in which the Company has elected to waive payment of the advertising fee in whole by you and the other franchisees. (Section 11(A) of the Franchise Agreement) Additional information concerning advertising is set forth below in this Item 11.

3. The Company will make a minimum of two (2) trips per year to the Franchise for purposes of providing on-site support and advisory services to you for the proper operation of the Franchise. (Section 11(B) of the Franchise Agreement)

4. The Company will provide you with such advice and guidance regarding the proper operation of the Franchise as the Company may in its discretion deem appropriate.

Such assistance will generally consist of consultation and advice regarding standard operating procedures for the Franchise, specific operating problems you may encounter, analysis of your financial reports and implementation of advertising and promotional campaigns. Such assistance will typically be provided through telephone conferences, updates to the Operations Manual, written reports or memoranda and on-site support trips made by the Company. (Section 11(C) of the Franchise Agreement)

5. The Company will inform you on a timely basis of any modifications, additions or other revisions of the Licensed System or of the Operations Manual or of other developments affecting your B-Bop's Restaurant. Such information will generally be distributed to you in the form of periodic updates to the Operations Manual or through other written reports or memoranda. Such information shall remain the exclusive and confidential property of the Company and must be returned to the Company immediately in the event the Franchise is for any reason terminated or expires. (Section 11(D) of the Franchise Agreement)

6. The Company will provide additional training to you or your employees. A fee of up to \$2,000 may be charged by the Company for such additional training. (Section 11(E) of the Franchise Agreement)

Company Advertising Program. As noted in Item 6 of this disclosure document, you are required under the terms of the Franchise Agreement to pay the Company a monthly advertising fee equal to three percent (3%) of the gross sales of your Franchise. The Company, however, reserves the right to waive payment of all or part of the advertising fee by you and other franchisees for such period as the Company may in its discretion deem appropriate. Any waiver will be communicated to you, in writing, and may be revoked at such time as the Company, in its sole discretion, deems appropriate. Upon revocation of any waiver, you and the other franchisees will be required to commence payment of the advertising fee. The Company currently plans to waive payment of the advertising fee in whole until such time as the number of franchises sold will provide advertising fee income sufficient to finance the development of advertising and promotional campaigns. During any period that the Company has determined to waive payment of the advertising fee in whole, the Company will not be obligated to develop or produce advertising on behalf of you or the other franchisees. You will, however, be required to continue to observe the independent advertising expenditure discussed below. No assurances can be given that the Company will sell a sufficient number of Franchises to commence operation of the advertising fund.

If and when the Company determines to invoke payment of the advertising fee by you and other franchisees, such fees will be deposited by the Company into a special fund to be administered by the Company and used to finance the development and production of advertising for the B-Bop's Restaurant system. The Company will thereafter be responsible for developing and producing advertising materials to be made available to you and other franchisees for dissemination at your own expense as part of the independent advertising expenditure requirement. All decisions regarding the content, concepts, materials and media utilized in such advertising will be made by the Company in its sole discretion. It is currently anticipated that advertising will be developed for dissemination over radio and television and through print. Since you will be responsible for the expense of disseminating the advertising (including all

media, printing and mailing expenses), the coverage of the advertising presumably will be local in nature to directly benefit your Franchise. It is anticipated that the B-Bop's Restaurants owned by B-Bop's will also be required to contribute to the advertising fund on the same basis and at the same rate as you and the other franchisees. Your contributions to the fund will be on the same basis and at the same rate as all other franchisees currently acquiring a Franchise from the Company. It is not contemplated that the fund will be audited on an annual basis, although the Company does anticipate that an annual report concerning receipts and expenditures by the fund will be provided to you and all other franchisees. It is not currently anticipated that the Company or any affiliate will receive any payment for providing goods or services to the advertising fund. No decisions have been made by the Company concerning the party or parties who will be responsible for developing and producing the advertising.

If and when the Company determines to invoice payment of the advertising fee by you and the other franchisees, the Company will not use any portion of those fees to solicit new franchise sales.

The Company has not established an advertising council of franchisees that advises the Company on advertising policies. The Company also has not established any local or regional advertising cooperative in which you and other franchisees are required to participate.

Independent Advertising Expenditures. As noted in Item 6 of this disclosure document, you will be required to spend a minimum of two percent (2%) of the gross sales of your Franchise for independent advertising during each quarter. This requirement remains in effect even though the Company has waived payment of your fees to the advertising fund and is not providing advertising materials for your use. You may satisfy the independent advertising requirement by implementing advertising and promotional campaigns provided by the Company (during those periods when the Company is required to provide such advertising) or you may create and implement advertising of your own, provided any advertising which you have developed has been submitted to and approved by the Company prior to its use. The Company will advise you within a reasonable period (usually 30 days) whether the proposed advertising materials are acceptable. The Company reserves the right to require you to submit an independent advertising report (along with supporting invoices) at such times as the Company may direct.

Electronic Cash Register System. You will be required to purchase an electronic cash register system which will be used to record all sales of food and beverage items by the Franchise. Currently, the cash register system that you are required to purchase is a Hewlett Packard ALOHA system. The Hewlett Packard ALOHA system uses a specific software system that was developed by Hewlett Packard. The software for the Hewlett Packard ALOHA system is available through Retail Data Systems located in Ankeny, Iowa. The cost for acquiring the hardware portion of the Hewlett Packard ALOHA system and obtaining a license to use the Hewlett Packard ALOHA system is approximately \$27,000. The Company will not be providing any ongoing maintenance, repairs, upgrades or updates of the electronic cash register system or the software. Retail Data Systems is entitled to sell the Hewlett Packard ALOHA system. You will not be required to purchase a maintenance contract for the hardware or software portion of the system although it is anticipated that maintenance contracts offering various levels of support

will be available through Retail Data Systems for an annual cost ranging from \$3,500 to \$4,500. You may be required to upgrade or update the electronic cash register system or related software at such times as the Company may direct. The Franchise Agreement does not contain any limitations on the frequency or cost of such upgrades or updates.

The Company will have independent access to the sales information and data collected by the system and the Franchise Agreement contains no limitations on the Company's right to access such information and data.

Operations Manual. The table of contents of the Operations Manual is attached to this disclosure document as Exhibit F. As of the date of this disclosure document, there are approximately 57 pages in the Operations Manual. The approximate number of pages devoted to each subject is set forth in the table of contents.

Site Approval. You will be granted the right to operate the Franchise at a specific site which must be approved in writing by the Company. The site selection process will generally proceed as follows. When you apply to purchase a Franchise, you will need to execute an Application Agreement. The Company will also sign the Application Agreement and will complete Exhibit A thereto specifying the trade area in which you propose to establish your Franchise. You will thereafter be responsible for selecting and securing an acceptable site in the trade area and submitting that site to the Company for its approval. The location and approval of a site for your Franchise will be part of the application process, and it is not anticipated that a Franchise Agreement will be executed until such time as an acceptable site has been located and approved. In the event an acceptable site cannot be located and approved, your application for a Franchise will not be approved and you will be entitled to receive a refund of the deposit as described in Item 5 of this disclosure document.

In determining whether to approve a particular site, the Company will focus on a number of factors including the size, layout and adaptability of the site to the construction of a B-Bop's Restaurant, population density, traffic patterns, location of other fast food restaurants, cost of purchasing or leasing the site, accessibility of utility and public services and similar factors. There is no established time limit within which the Company must approve or disapprove a site, although the Company anticipates that the approval process will generally be completed within 60 days after you have submitted the site for approval. You are cautioned against entering into any binding agreement for the purchase or lease of a proposed site prior to receiving approval from the Company.

Start-Up Period. The Company estimates that the approximate length of time between payment of the deposit and opening of the Franchise (assuming your application is approved) will be six (6) to twelve (12) months, and between execution of the Franchise Agreement and opening of the Franchise will be four (4) to nine (9) months, assuming in both cases that you promptly commence construction of the Franchise premises. The length of the start-up period is subject to variation, however, and the Company is consequently unable to provide any assurance that the Franchise will be open for business within the estimated period. Numerous factors affect the length of the start-up period, including, without limitation, the ability to locate and secure a satisfactory site through lease or purchase, obtaining acceptable financing, construction of the Franchise premises, obtaining building permits, complying with zoning and local ordinances and

delivery and installation of equipment, fixtures and signage. The Franchise premises is subject to inspection and approval by the Company prior to the commencement of operations. In the event the Company determines that construction of the Franchise premises has not proceeded in accordance with the Company's plans and specifications, the Company is entitled to delay the opening of the Franchise until such time as you have made the necessary corrections at your expense.

Building Design and Construction. If and when the Company approves your site, the Company will advise you whether you will be required to construct and operate a B-Bop's Restaurant with indoor seating or whether you will be required to construct and operate a B-Bop's Restaurant without indoor seating. In determining whether or not to require indoor seating, the Company will focus on a number of factors including the same factors that the Company considers in determining whether to approve a particular site as discussed above. You are solely responsible for the construction of the Franchise premises at your expense.

Training Course. The Company requires that you, or your proposed manager, complete a training course to be conducted approximately forty-five (45) days prior to the opening of the Franchise. The course will be conducted on an "as needed" basis to coordinate with the opening of your Franchise. The training course will consist of approximately twenty-five (25) days of classroom instruction and on-site training in a B-Bop's Restaurant. The following table provides information on the subject matter covered in the course and the approximate hours of instruction:

### TRAINING PROGRAM

| Subject                                    | Hours of Classroom Instruction <sup>1</sup> | Hours of On-the-Job Training <sup>1</sup> | Location <sup>2,3</sup>  |
|--|---|---|--------------------------|
| Hiring and Personnel Matters               | 2.0   | 8   | Greater Des Moines, Iowa |
| Food preparation techniques and procedures | 4.0   | 50  | Greater Des Moines, Iowa |
| Maintenance procedures                     | 2.0   | 24  | Greater Des Moines, Iowa |
| Daily management procedures                | 8.0   | 60  | Greater Des Moines, Iowa |
| Security procedures                        | 1.0   | 10  | Greater Des Moines, Iowa |
| Accounting procedures                      | 2.0   | 18  | Greater Des Moines, Iowa |
| Advertising and promotion                  | 1.0   | 10  | Greater Des Moines, Iowa |

<sup>1</sup> The hours listed are an approximation over the 25 day course and will vary depending on your experience and other relevant factors.

<sup>2</sup> All classroom instruction will be conducted at the Company's office in Urbandale, Iowa.

<sup>3</sup> All on-the-job training will be conducted at one of the B-Bop's Restaurants in the greater Des Moines, Iowa area that are owned and operated by B-Bop's.

The training course will be conducted by Robert Johnson and/or John Ferguson, each of whom have been responsible for management of a B-Bop's Restaurant since 1988. Portions of the course, particularly the on-site training, may be conducted by other members of B-Bop's management staff, each of whom have at least 2½ years of experience in managing and operating a B-Bop's Restaurant. Instructional materials used in the course will primarily consist of the Operations Manual. The course and all materials used in connection therewith are provided at the expense of the Company for up to two (2) persons. The Company will undertake to train additional persons for a fee agreed upon in advance between you and the Company. You will, in all cases, be responsible for paying all compensation, travel, lodging and other expenses incurred while you or your employees participate in the training course.

The training course must be completed to the satisfaction of the Company by the person who will be responsible for the day-to-day management and operation of the Franchise. The Company may in its discretion extend the standard period of training if additional training is necessary in the Company's judgment for satisfactory completion of the course. If, during the training course, the Company determines that the proposed manager is not qualified to manage a B-Bop's Restaurant, the Company will notify you and you will have the opportunity to select and enroll a substitute manager in such course.

If, during the term of Franchise, you request a refresher training course, the Company will provide such training upon the payment of a fee not to exceed \$2,000. The material to be covered in a refresher training course will depend on your needs as expressed to the Company. In addition, if you hire a new manager during the term of the Franchise, the Company will provide an initial training course for such manager, upon payment of a fee not to exceed \$2,000. Such training course will be structured in the same manner and cover the same material as the training course provided prior to the opening of the Franchise as described above. You will, in either event, be responsible for paying all compensation, travel, lodging and other expenses incurred while participating in either a refresher-training course or an initial training course for a new manager.

#### MULTIPLE-UNIT ARRANGEMENT

Except as disclosed below, the Company need not provide any assistance to you.

Company Obligations Prior to Opening. The Company is required to provide the following services and/or assistance under the Development Agreement prior to the opening of a particular Franchise:

1. You will be required by the Development Agreement to select a proposed site for each Franchise to be developed and to submit a written report regarding such site to the Company for its approval. The written report shall include a description of the proposed site and such other information or material as the Company may reasonably request. Upon receipt of the report, the Company will undertake such investigation of the proposed site as it deems appropriate and, in its sole discretion, either approve or reject

the site by written notice to you within thirty (30) days after receiving the report and, if your site is approved, the Company will advise you, within the same thirty (30) day period, whether or not you will be required to include indoor seating in the construction and operation of a B-Bop's Restaurant. (Section 5 of the Development Agreement)

2. Upon approval of a site, the Company is required by the Development Agreement to grant you the right to establish and operate a Franchise at such site, provided that you are in compliance with the terms of the Development Agreement and the terms of all franchise agreements between the parties. (Section 6 of the Development Agreement) The standard form of franchise agreement then being used by the Company to grant new Franchises will be forwarded to you and you will have a period of fifteen (15) days in which to execute such franchise agreement and return it, together with payment of the initial franchise fee, to the Company. Upon execution of the then current franchise agreement, you will be entitled to receive the Company's initial and continuing assistance in establishing and operating the Franchise. The assistance to be provided by the Company under the current Franchise Agreement is discussed above.

Start-Up Period. The Company estimates that the approximate length of time between execution of the Development Agreement and opening of the initial Franchise will be four (4) to nine (9) months, assuming you promptly commence construction of the initial unit.

## **12. TERRITORY**

The extent of the territorial rights granted by the Company varies depending upon whether you are purchasing one Franchise pursuant to the single-unit arrangement or purchasing the right to develop a number of Franchises pursuant to the multiple-unit arrangement.

### **SINGLE-UNIT ARRANGEMENT**

You will be granted an exclusive territory under the Franchise Agreement consisting of the area encompassed within a two (2) mile radius of the Franchise premises. During the term of the Franchise Agreement, the Company and its affiliates are prohibited from opening or franchising a B-Bop's Restaurant or other business serving similar products at any location within your exclusive territory. The Company and its affiliates are entitled under the Franchise Agreement to establish a company-owned B-Bop's Restaurant or grant a Franchise to any third party at any location other than as described above. The continuation of your exclusive territory is not dependent upon achieving a particular sales volume, market penetration or other similar contingency. There are no circumstances under which the Company is entitled to modify your exclusive territory without your consent.

The Franchise is granted for a specific location that must be approved by the Company. Any relocation of the Franchise requires the prior written approval of the Company and is permitted only when use of the original location is no longer possible due to damage or destruction, taking by eminent domain or lapse of the lease (in the absence of a default thereunder).

The Franchise granted by the Company under the single-unit arrangement does not entitle the Franchisee to open additional locations.

Neither the Company nor any of its affiliates currently operate or franchise the operation of a fast food business under a different trademark, and neither the Company nor any of its affiliates have any presently formulated plans to engage in such activity in the future.

There are no restrictions on the customers that may be served by your Franchise and you may solicit or accept orders from customers outside of your exclusive territory and you have the right to use other channels of distribution, such as the Internet or other methods of direct marketing to make sales outside of your exclusive territory. Similarly, there are no restrictions on the Company or its affiliates on the customers that may be served by any B-Bop's Restaurant that either of them may establish (consistent with the exclusive territorial rights granted to you under the Franchise Agreement), including customers that may reside in the exclusive territory granted to you. The Company and its affiliates have never used, but do reserve the right to use, other channels of distribution, including other methods of direct marketing to make sales to customers under the "B-Bop's" trademark, including customers residing within your exclusive territory. The Company and its affiliates have not used, but do reserve the right to use, other channels of distribution, including other methods of direct marketing, to make sales to customers under trademarks different from the "B-Bop's" trademark, including customers residing within your exclusive territory; provided, however, as noted above neither the Company nor any of the affiliates have any presently formulated plans to operate or franchise the operation of a fast food business under a different trademark. There is no requirement under the Franchise Agreement or otherwise that the Company or any of its affiliates must pay you any compensation for soliciting or accepting orders from customers residing within your exclusive territory.

#### MULTIPLE-UNIT ARRANGEMENT

Under the Development Agreement, you will be granted the exclusive right to establish Franchises in a defined trade area at sites to be approved by the Company. The exact size and boundaries of the trade area will be negotiated between the parties prior to execution of the Development Agreement, with the agreed upon definition of such trade area to be attached as an appendix thereto. The Company contemplates that the trade area will be defined by reference to various streets and highways forming the boundaries of the area and may consist of a portion of a city or county or may include one or more counties or cities. In exchange for the grant of the exclusive development rights, you are required to establish a specified number of Franchises in accordance with a development schedule negotiated between the parties and set forth as an appendix to the Development Agreement. So long as you comply with the development schedule and the Development Agreement otherwise remains in effect, the Company and its affiliates are prohibited from establishing any company-owned B-Bop's Restaurant in the trade area or from granting any third party the right to establish a Franchise in such trade area. Upon termination of the Development Agreement, however, your exclusive development rights are rescinded and, except as noted below with respect to any exclusive territory granted for individual Franchises already established, the Company is thereafter entitled to develop the trade area itself or to grant such right to third parties. The development schedule will supersede the terms of any franchise agreement with respect to the allowable period of time for construction

and opening of any Franchise developed pursuant to the Development Agreement.

Upon the Company's approval of a proposed site in the trade area (and assuming you are in compliance with the Development Agreement and all franchise agreements), the parties will enter into the then current form of franchise agreement, granting you the right to own and operate a Franchise at the specified site. Any franchise agreement executed pursuant to the Development Agreement will survive the termination or expiration of the Development Agreement and continue to govern the rights of the parties with respect to that particular Franchise for the remainder of its term. Under the provisions of each franchise agreement, you will be granted an exclusive territory providing certain territorial rights for the particular Franchise being established. In the event of termination or expiration of the Development Agreement, the exclusive territorial rights granted under the surviving franchise agreement will remain in effect for the remainder of the term of the Franchise, during which time the Company and its affiliates will be precluded from establishing any company-owned B-Bop's Restaurant in the exclusive territory or granting a Franchise to any third party to be located in the exclusive territory. The territorial rights granted under the current Franchise Agreement are discussed above.

The Developer is required by the Development Agreement to submit its financial statements to the Company for review and to consult with the Company regarding its proposals for financing development of the Franchises, all at the request of the Company from time to time.

The continuation of your exclusive rights in the trade area are not dependent on achieving a particular sales volume or market penetration at any Franchise or on any other contingency. As noted above, however, the continuation of such rights is dependent upon your compliance with the development schedule.

### **13. TRADEMARKS**

Use of Marks. You will be licensed under the Franchise Agreement to use and display the Licensed Marks (including the "B-Bop's" mark and logo) in connection with operation of your Franchise. You will be required to comply at all times with the policies set forth in the Operations Manual regarding use and display of the Licensed Marks. You are prohibited from: (i) using any other trademark or trade name in connection with the Franchise, unless such use is first approved in writing by the Company; or (ii) displaying or otherwise using the Licensed Marks at any location other than the Franchise premises or in connection with any business or activity other than operation of the Franchise. In the event you are an entity such as a corporation, limited liability company or partnership, you are prohibited from using the words "B-Bop's" in your name. The Company may from time to time adopt additional marks and symbols and incorporate the same into the Licensed System for your use. Any registration of such additional marks or symbols shall be at the discretion of the Company. The Company also has the right, in its sole discretion, to require you to discontinue or modify use of any of the Licensed Marks within ninety (90) days of written notice from the Company. Any such modification or discontinuance will not provide you with any termination or other rights. Any reimbursement to you for expenses incurred in connection with such discontinuation or

modification shall be made at the Company's sole discretion.

Federal Registration. The "B-Bop's" name was registered by B-Bop's as a trademark and service mark on the Principal Register of the United States Patent and Trademark Office. The registration was issued on June 28, 1994 under Registration No. 1,841,942 and in 2004, 2013 and 2024 the Company renewed the registration. The B-Bop's trademark and service mark along with the federal registration thereof and the related "B-Bop's" logo were assigned by B-Bop's to the Company on March 17, 1995. The Company also registered the B-Bop's "hamburger logo" as a trademark and service mark on the Principal Register of the United States Patent and Trademark Office. The B-Bop's "hamburger logo" registration was issued on December 7, 1999 under Registration No. 2,298,348 and in 2009 and 2019 the Company renewed the registration. The Company also registered the B-Bop's "building logo" as a trademark and service mark on the Principal Register of the United States Patent and Trademark Office. The B-Bop's "building logo" registration was issued on February 1, 2000 under Registration No. 2,314,516 and in 2009 and 2020 the Company renewed the registration. The Company has filed all affidavits that were required to be filed in connection with its trademark and service mark registrations. The Company has filed all renewals that were required to be filed in connection with the registrations.

Material Proceedings. There are no presently effective determinations of the United States Patent and Trademark Office, the Trademark Trial and Appeal Board, the trademark administrator of any state or of any court, no pending infringement, opposition or cancellation proceedings nor any pending material litigation involving the Licensed Marks relevant to their use in any state.

Material Agreements. There are no agreements currently in effect which significantly limit the rights of the Company to use or license the use of the Licensed Marks in any manner material to the Franchise. Effective as of March 17, 1995, B-Bop's assigned ownership of the Licensed Marks and the Licensed System to the Company to enable the Company to franchise the B-Bop's Restaurant concept. As partial consideration for the assignment, the Company entered into a license agreement with B-Bop's granting a license to B-Bop's to use the Licensed Marks and the Licensed System in connection with operation of a B-Bop's Restaurant at any location with respect to which the Company has not previously granted exclusive development rights or exclusive franchise rights to construct and operate a B-Bop's Restaurant. B-Bop's is prohibited under the terms of the license agreement from sublicensing any rights in the Licensed Marks or the Licensed System to any third party or from assigning the license agreement to any third party without the prior written consent of the Company. The license agreement prohibits the Company from owning or operating a B-Bop's Restaurant, or granting development or franchise rights for operation of a B-Bop's Restaurant, at any location within a one mile radius of: (i) any B-Bop's Restaurant operated by B-Bop's; or (ii) any location at which B-Bop's has informed the Company in writing of its plans to develop a B-Bop's Restaurant within a one year period from the date of such notice.

Unauthorized Use and Protection of Franchisee. You are obligated under the Franchise Agreement to immediately notify the Company in writing of any of the following: (i) any challenge to your use of the Licensed Marks; (ii) any claim by a third party to rights in any of the

Licensed Marks (or confusingly similar marks) that comes to your attention; and (iii) any apparent infringement of the Licensed Marks that comes to your attention. The Company has absolute discretion in taking such action as it may deem appropriate upon notification of any such challenge, claim or infringement. You are required to cooperate with the Company and its affiliates in investigating, prosecuting or defending any action involving any of the Licensed Marks, but at the sole expense of the Company. Although not expressly obligated by the Franchise Agreement, the Company considers the Licensed Marks to be valuable property rights and intends to protect them against infringement by others. The Franchise Agreement obligates the Company to indemnify you against claims of infringement or unfair competition with respect to your use of the Licensed Marks, provided that you have complied with the material terms and conditions of the Franchise Agreement in using the Licensed Marks. The Company will have exclusive control over any administrative proceeding or litigation initiated in connection with any of the Licensed Marks. In the event the Franchise Agreement is terminated for any reason whatsoever or expires without renewal, the Company has the right to prohibit you from further use or display of the Licensed Marks.

Infringing Uses. There are no superior prior rights or infringing uses actually known to the Company or its affiliates that could materially affect your use of the Licensed Marks in this State.

Development Agreement. You have no right under the Development Agreement to use or otherwise display the Licensed Marks in any manner. You will obtain the right to use and display the Licensed Marks only upon execution of a franchise agreement with the Company, granting you the right to own and operate a Franchise at a specific location.

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

Patents and Copyrights. The Company does not own any rights in, or licenses to any patents and has not applied for any patent protection with respect to any item material to the Franchise. The Company does, however, claim a copyright in the confidential Operations Manual and in the plans and specifications for construction of the unique B-Bop's Restaurant premises. The copyright in the Project Manual containing the plans and specifications has been registered under Registration TX4-033-760 (issued February 21, 1995) and the copyright in the Architectural Work has been registered under Registration VA-690-159 (issued March 1, 1995). Both registrations were originally obtained by B-Bop's and have been assigned to the Company as part of the assignment of the Licensed System from B-Bop's to the Company. The Company intends to renew the copyright registrations prior to their expiration.

The Company has complete discretion in determining whether to take any administrative action regarding any challenges to or infringements of any of its copyrights. The Company has the right to control any proceeding it chooses to bring. The Company does not make any representations or warranties to you regarding any of the Company's copyrights, including that the copyrights do not infringe upon the rights of any other person. The Company is not required to protect your right to use any of the Company's copyrights or to participate in your defense or to indemnify or otherwise protect you against any claims regarding any of the Company's

copyrights or your use of those copyrights, including claims of infringement or unfair competition, and whether or not the claims are brought in an administrative, judicial or other proceeding.

Trade Secrets. The Company considers its hamburger seasoning and the methods of operation of a B-Bop's Restaurant to be trade secrets. The proprietary seasoning will be produced by a manufacturer selected by the Company and you will be required to purchase the seasoning from such manufacturer. The formula for the seasoning will not be disclosed to you. The operating procedures and policies are contained in the Operations Manual. The Operations Manual will be loaned to you for your use in operating the Franchise during the term of the Franchise Agreement. The Operations Manual will, at all times, remain the exclusive property of the Company and must be returned to the Company immediately upon termination or expiration of the Franchise Agreement. The Company has the right to modify, add to or revise the operating procedures and policies contained in the Operations Manual from time to time. You must operate the Franchise at all times in strict compliance with the procedures and policies contained in the Operations Manual. You must diligently and thoroughly review the Operations Manual, including any additions or revisions thereto, and become knowledgeable concerning the procedures and policies contained therein. The Company will provide to you the Project Manual containing the plans and specifications for the construction of the Franchise Premises. The Project Manual, including the plans and specifications remain the exclusive property of the Company and you are required to return it to the Company after construction of the Franchise Premises is complete. Any modifications to the Project Manual, including the plans and specifications, require the consent of the Company and such consent is subject to the person making the modifications executing and delivering to the Company an assignment of such person's rights to the Project Manual, including the plans and specifications, as modified.

Confidentiality. Under the terms of the Franchise Agreement, you are required to maintain the confidentiality of all trade secrets and proprietary information disclosed to you in connection with operation of the Franchise. You are prohibited from using such information and trade secrets in any other business or activity and must implement all reasonable procedures prescribed from time to time by the Company to prevent unauthorized use or disclosure of such information, including the requirement that your managerial employees execute nondisclosure and noncompete covenants as a condition of employment. If you are an entity such as a corporation, limited liability company or partnership, the confidentiality provisions are also applicable to each shareholder, member or partner and any other person required by the Company to execute the Personal Guaranty attached to the Franchise Agreement. The Development Agreement contains similar provisions concerning your obligation to maintain the confidentiality of the Company's proprietary information.

Material Proceedings. There are no presently effective determinations of United States Copyright Office or court regarding the copyrights nor any pending material litigation involving the Company's copyrights.

Material Agreements. There are no agreements currently in effect which significantly limit the rights of the Company to use or license the Project Manual or the Operations Manual in any manner material to the Franchise. Effective as of March 17, 1995, B-Bop's assigned

ownership of the Licensed System and the Operations Manual and the Project Manual to the Company to enable the Company to franchise the B-Bop's Restaurant concept. A separate assignment from B-Bop's to the Company of the copyrights in the Operations Manual and the Project Manual was executed on October 3, 1995. As partial consideration for the assignment, the Company entered into a license agreement with B-Bop's granting a license to B-Bop's to use the Licensed System, the Licensed Marks, the Project Manual and the Operations Manual subject to certain restrictions and limitations. The license agreement is discussed in Item 13 under the paragraph heading "Material Agreements".

Development Agreement. You have no right under the Development Agreement to review or use the Operations Manual or the Project Manual, including the plans and specifications. You will obtain the right to review and use the Operations Manual and Project Manual, including the plans and specifications, only upon execution of a franchise agreement with the Company, granting you the right to own and operate a Franchise at a special location.

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

The Franchise Agreement requires you to devote your full-time and best efforts to the active management and operation of the Franchise, or to appoint a manager to devote such manager's full-time and best efforts to operation of the business. Although the Company recommends that you participate personally in the actual operation of your Franchise, you are entitled to appoint a full-time manager to operate the Franchise on a day-to-day basis, provided that: (1) the Company has approved the qualifications of such manager; and (2) you remain active in the business through monitoring such manager's performance in operating the Franchise. The Company will not unreasonably withhold its approval of your proposed manager, provided that such manager satisfies the Company's managerial standards and has completed the training course to the satisfaction of the Company. The individual responsible for management of the Franchise (you or your appointed manager) must assume such responsibilities on a full-time basis and may not engage in any other business or activity that requires significant time commitments or that may otherwise be detrimental to or interfere with the day-to-day management of the Franchise. If you are an entity such as a corporation, limited liability company or partnership, you may not be involved in any business or activities apart from ownership and operation of the Franchise (and operation of any other B-Bop's Restaurant pursuant to franchise agreements with the Company). In the event a manager is appointed to operate the Franchise, you are required under the Franchise Agreement to obtain an agreement from such manager containing a covenant not to compete and a restriction on the disclosure of confidential information. Your manager is not required to hold an ownership interest in the Franchise. The Franchise must at all times be operated under the on-premises supervision of you or your manager.

## **16. RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL**

You are required by the Franchise Agreement to sell each of the food and beverage items contained in the standard B-Bop's Restaurant menu as established from time to time by the

Company. The Company has the right to modify the standard menu from time to time by deleting or adding food or beverage items and there are no limitations on the Company's right to make such modifications. You are prohibited by the Franchise Agreement from selling through the Franchise any food or beverage items not contained in the standard B-Bop's Restaurant menu and, in addition, from selling any other products or services not included in the Licensed System, unless such food or beverage item or such other product or service is first approved in writing by the Company. Similarly, you are prohibited from engaging in any business or activity on the Franchise premises apart from operation of a B-Bop's Restaurant.

The Franchise Agreement prohibits you from operating a B-Bop's Restaurant, whether on a temporary or permanent basis, at any location other than the location approved by the Company. You are also prohibited from selling any of the food and beverage items contained in the standard B-Bop's Restaurant menu except on the Franchise premises in connection with operation of the Franchise. You are not limited in any manner as to the customers to whom the Franchise may sell its products.

**17. RENEWAL, TERMINATION, TRANSFER  
AND DISPUTE RESOLUTION**

**THE FRANCHISE RELATIONSHIP**

**This table lists certain important provisions of the Franchise Agreement. You should read these provisions in the Franchise Agreement attached to this disclosure document.**

| <b>Provision</b>                                 | <b>Section in Franchise Agreement</b> | <b>Summary</b>   |
|--|---------------------------------------|--|
| A. Length of the Franchise Term                  | Section 2                             | 15 years   |
| B. Renewal or extension of the term <sup>1</sup> | Section 18                            | One 10 year renewal term if you are in compliance with the Franchise Agreement and satisfy the conditions for renewal. |

|   |               |   |
|---|---------------|---|
| C. Requirements for you to renew or extend              | Section 18    | <p>Written notice to the Company; substantial compliance with the Franchise Agreement during original term; current on all amounts due to the Company and its affiliates; execution of the current version of the franchise agreement (which may contain materially different terms than your original Franchise Agreement); payment of \$5,000 renewal fee; renovation and remodeling to meet standards for new Franchises; execution of general release (to the extent permitted by Minnesota law); demonstration of right to occupy premises for renewal term; and completion of refresher training course.</p> <p>If you seek to renew your Franchise at the expiration of the initial term, you will be asked to sign a new franchise agreement which will be the standard form of franchise agreement that the Company utilizes on the date of the renewal to grant new B-Bop's Restaurant franchises. The new franchise agreement may contain terms and conditions materially different from those in your previous franchise agreement.</p> |
| D. Termination by you                                   | Section 22    | You cannot terminate unless you are in full compliance with Franchise Agreement and the Company breaches a material provision thereof and fails to cure such breach within 90 days after written notice or within such longer period as may reasonably be necessary to cure such breach.  |
| E. Termination by the Company without cause             | None          | Not applicable.   |
| F. Termination by the Company with "cause" <sup>1</sup> | Section 23    | The Company can terminate if you default in performance of the Franchise Agreement or if certain other events occur.  |
| G. "Cause" defined-curable defaults <sup>1</sup>        | Section 23(B) | Failure to pay when due any amounts owing to the Company or its affiliates (10 days to cure after notice); failure to perform any other covenant or obligation of the Franchise Agreement (apart from any payment obligation or any obligation specified in Section 23(A) as to which no right of cure exists - see below) (30 days to cure after notice).  |

|  |               |   |
|--|---------------|---|
| H. "Cause" defined-non-curable defaults <sup>1</sup> | Section 23(A) | Insolvency proceedings (including an assignment for the benefit of creditors, appointment of a receiver or similar officer or the commencement of bankruptcy proceedings) involving you or any of your owners who hold a controlling interest or who are responsible for management; conviction or plea of guilty or no contest by you or any of your owners to any felony or any crime relating to operation of the Franchise; any purported transfer of the Franchise Agreement, the Franchise or any ownership interest which fails to comply with Section 19 of the Franchise Agreement; use of the Licensed Marks for any unauthorized purpose; unauthorized disclosure of any confidential information; loss of your right to occupy the Franchise premises as a result of your breach of any lease; repeated defaults under the Franchise Agreement regardless of whether or not cured; falsifying records or reports; voluntary abandonment of the Franchise. |
| I. Your obligations on termination/non-renewal       | Section 25    | Cease operation of the Franchise and all use of the Licensed Marks; payment of all amounts owing to the Company or any of its affiliates; modification of the Franchise premises to distinguish its appearance from the appearance of a B-Bop's Restaurant; return of Operations Manual and all other confidential information; observance of covenant not to compete; and assignment to the Company of all telephone numbers for the Franchise.  |
| J. Assignment of contract by the Company             | Section 21    | The Company may transfer the Franchise Agreement, provided the transferee agrees to perform the Company's obligations thereunder.   |
| K. "Transfer" by you - defined                       | Section 19    | Includes any transfer of the Franchise Agreement, any sale of assets of the Franchise, or any transfer of interests or merger in or involving any entity owning the Franchise.  |
| L. The Company's approval of Transfer by you         | Section 19    | The Company has the right to approve all transfers, but will not unreasonably withhold its consent provided you satisfy certain conditions.   |

|   |                           |  |
|---|---------------------------|--|
| M. Conditions for the Company approval of transfer                        | Section 19(A),(B) and (C) | Proposed transferee must satisfy the Company's current standards for new franchisees; completion of training course; assumption of Franchise Agreement or execution of then current version of franchise agreement, as directed by the Company; execution of general release (to the extent permitted by Minnesota law) and nondisclosure and noncompetition agreement; payment of \$3,000 transfer fee; compliance with right of first refusal granted to the Company; approval of purchase agreement; and subordination of obligations under purchase agreement to obligations owing to the Company under Franchise Agreement. |
| N. The Company's right of first refusal to acquire your business          | Section 19(D)             | The Company has the right to purchase the Franchise or any ownership interest in the entity owning the Franchise upon the same terms and conditions as contained in any bona fide offer received from a third party.   |
| O. The Company's option to purchase your business                         | None                      | Not applicable.  |
| P. Your death or disability   | Section 19(B)             | The Franchise, or any controlling interest in any entity owning the Franchise, must be transferred to an approved transferee, with the Company to be notified of the proposed transferee within six (6) months of death or disability.   |
| Q. Non-competition covenants during the term of the Franchise             | Section 17                | No involvement in a business substantially similar to a B-Bop's Restaurant at any location.  |
| R. Non-competition covenants after the Franchise is terminated or expires | Section 17                | No involvement in a business substantially similar to a B-Bop's Restaurant for two (2) years within: (i) 20 miles of the Franchise premises; or (ii) 20 miles of any other B-Bop's Restaurant then in operation or under development   |
| S. Modification of the Franchise Agreement                                | Section 8(D) and 40       | No modifications or amendment to the Franchise Agreement unless in writing and signed by the party against whom enforcement is sought; Operations Manual is subject to modification at the discretion of the Company.  |

|   |            |   |
|---|------------|---|
| T. Integration/merger clause                      | Section 39 | Only the terms of the Franchise Agreement, the Operations Manual, the documents referred to in and the attachments to the Franchise Agreement are binding. Any other oral or written promises related to the subject matter of the Franchise Agreement may not be enforceable. This is not intended to disclaim any representations made in this disclosure document. |
| U. Dispute resolution by arbitration or mediation | Section 27 | Except for certain claims, all disputes must be arbitrated in Des Moines, Iowa.   |
| V. Choice of forum <sup>2</sup>                   | Section 27 | Arbitration must be commenced in the State of Iowa.   |
| W. Choice of law <sup>2</sup>                     | Section 35 | Iowa law applies (subject to state law)   |

NOTES:

<sup>1</sup> With respect to Franchises governed by Minnesota law, the Company will comply with Minnesota Statutes Section 80C.14, subdivisions 3, 4 and 5 which require, except in certain specified cases, that you be given ninety (90) days notice of termination (with sixty (60) days to cure) and one hundred eighty days (180) days notice for non-renewal of the Franchise Agreement.

<sup>2</sup> Pursuant to Minnesota Statutes Section 80C.21 and Minnesota Rule Part 2860.4400J, these provisions shall not in any way abrogate or reduce any of your rights as provided for in Minnesota Statutes, Chapter 80C.

**This table lists certain important provisions of the Development Agreement. You should read these provisions in the Development Agreement attached to this disclosure document.**

| Provision  | Section in Development Agreement | Summary  |
|--|----------------------------------|--|
| A. Term of development Rights                            | Section 2                        | To be negotiated between parties based on length of development schedule   |
| B. Renewal or extension of the term <sup>1</sup>         | Section 2                        | Any renewal to be on such terms and conditions as the Company and you may mutually agree upon expiration of the original term. |
| C. Requirements for you to renew or extend               | None                             | Not applicable.  |
| D. Termination by you                                    | None                             | Not applicable.  |
| E. Termination by the Company without cause <sup>1</sup> | None                             | Not applicable.  |
| F. Termination by the Company with "cause" <sup>1</sup>  | Section 11                       | The Company can terminate if you default in performance of the Development Agreement or if certain other events occur.         |

|  |            |   |
|--|------------|---|
| G. "Cause" defined-curable defaults <sup>1</sup>     | Section 11 | You will have thirty days after receipt of written notice to cure any default in the performance of any covenant or obligation under the Development Agreement (apart from any obligation as to which no right of cure exists - see below).   |
| H. "Cause" defined-non-curable defaults <sup>1</sup> | Section 11 | Use of the Licensed System or the Licensed Marks at any location except as authorized by a franchise agreement with the Company; insolvency proceedings (including an assignment for the benefit of creditors, appointment of a receiver or similar officer or the commencement of bankruptcy proceedings) involving you or any of your owners who hold a controlling interest or who are responsible for management; conviction or plea of guilty or no contest by you or any of your owners to any felony or any crime relating to operation of any Franchise; any purported transfer of the Development Agreement, the development rights or any ownership interest which fails to comply with Section 13 of the Development Agreement; termination of any franchise agreement with the Company; and any willful or fraudulent misrepresentation to the Company in connection with the development rights. |
| I. Your obligations on termination/non-renewal       | Section 11 | Your right to develop additional franchises immediately terminates forfeiture of remaining development fee not previously applied toward initial franchise fees; and loss of exclusive right to develop defined trade area.   |
| J. Assignment of contract by the Company             | Section 15 | The Company may transfer the Development Agreement, provided the transferee agrees to perform the Company's obligations thereunder.   |
| K. "Transfer" by you - defined                       | Section 13 | Includes any transfer of the Development Agreement, or any transfer of interest or merger in or involving any entity owning the development rights.   |
| L. The Company's approval of transfer by you         | Section 13 | The Company has the right to approve all transfers, but will not unreasonably withhold its consent provided you satisfy certain conditions.   |

|  |               |   |
|--|---------------|---|
| M. Conditions for the Company approval of transfer                                 | Section 13    | Proposed transferee must satisfy the Company's current standards for new developers; assumption of Development Agreement; execution of general release (to the extent permitted by Minnesota law) and nondisclosure and noncompetition agreement; payment of \$3,000 transfer fee; compliance with transfer provisions of Franchise Agreement if any Franchises simultaneously being transferred; and compliance with right of first refusal granted to the Company.                                  |
| N. The Company's right of first refusal to acquire your development rights         | Section 13(D) | The Company has the right to purchase the development rights or any ownership interest in the entity owning the development rights upon the same terms and conditions as contained in any bona fide offer received from a third party.  |
| O. The Company's option to purchase your development rights                        | None          | Not applicable.   |
| P. Your death or disability  | Section 13(B) | The development rights, or any controlling interest in any entity owning the development rights, must be transferred to an approved transferee, with the Company to be notified of the proposed transferee within six (6) months of death or disability.  |
| Q. Non-competition covenants during the term of the Development Agreement          | Section 12    | No involvement in a business substantially similar to a B-Bop's Restaurant at any location.   |
| R. Non-competition covenants after the development rights are terminated or expire | Section 12    | No involvement in a business substantially similar to a B-Bop's Restaurant for two (2) years after termination or expiration within: (i) the trade area specified in the Development Agreement; or (ii) 20 miles of any other B-Bop's Restaurant then in operation or under development, except that you will be entitled to continue to operate any B-Bop's Restaurant pursuant to a Franchise Agreement entered into with the Company prior to termination or expiration of the development rights. |
| S. Modification of the Development Agreement                                       | Section 26    | No modifications or amendment to the Development Agreement unless in writing and signed by the party against whom enforcement is sought.  |

|   |            |  |
|---|------------|--|
| T. Integration/merger clause                      | Section 26 | Only the terms of the Development Agreement, the documents referred to in and the attachments to the Development Agreement are binding. Any other oral or written promises related to the subject matter of the Development Agreement may not be enforceable. This is not intended to disclaim any representations made in this disclosure document. |
| U. Dispute resolution by arbitration or mediation | Section 17 | Except for certain claims related to use of the Licensed Marks or proprietary information, all disputes must be arbitrated in Des Moines, Iowa.  |
| V. Choice of forum <sup>2</sup>                   | Section 17 | Arbitration must be commenced in the State of Iowa.  |
| W. Choice of law <sup>2</sup>                     | Section 25 | Iowa law applies (subject to state law).   |

NOTES:

<sup>1</sup> To the extent that Minnesota Statutes Section 80C.14 is applicable to the Development Agreement, the Company will comply with Section 80C.14, subdivisions 3, 4 and 5 which require, except in certain specified cases, that you be given ninety (90) days notice of termination (with sixty (60) days to cure) and one hundred eighty days (180) days notice for non-renewal.

<sup>2</sup> Pursuant to Minnesota Statutes Section 80C.21 and Minnesota Rule Part 2860.4400J, these provisions shall not in any way abrogate or reduce any of your rights as provided for in Minnesota Statutes, Chapter 80C.

**This table lists certain provisions of the Application Agreement. You should read these provisions in the Application Agreement attached to this disclosure document.**

| <b>Provision</b>                           | <b>Section in Application Agreement</b> | <b>Summary</b>  |
|--|---|---|
| A. Term of Agreement                       | Section 3                               | The Company will inform you within 90 days from the effective date of the Application Agreement whether development rights or franchise rights will be granted. |
| B. Renewal or Extension of the Term        | None                                    | Not applicable.   |
| C. Requirements for you to Renew or Extend | None                                    | Not applicable.   |

|   |                  |   |
|---|------------------|---|
| D. Termination by You                           | Sections 4 and 8 | You may terminate at anytime without cause. Upon termination you will be entitled to the amount of the deposit (\$5,000) minus the lesser of (i) \$4,500 or (ii) the actual expenses incurred by the Company, as provided in the Application Agreement. If the Company determines to grant you development rights or franchise rights (whichever is applicable) and you do not execute and deliver the appropriate documentation and pay the initial franchise fee or development fee, whichever is applicable, within 15 days after receipt of the documents the Application Agreement shall become null and void. |
| E. Termination by the Company without cause     | Sections 4 and 7 | The Company has the right to terminate the Application Agreement at any time without cause. The Application Agreement also terminates in the event the Company advises you that the development rights or franchise rights, whichever is applicable, will not be granted. Upon termination you will be entitled to a refund equal to the amount of the deposit (\$2,500) minus the lesser of (i) \$2,000 or (ii) the actual expenses incurred by the Company, as provided in the Application Agreement.   |
| F. Termination by the Company with cause        | None             | Not Applicable.   |
| G. "Cause" defined-curable                      | None             | Not Applicable.   |
| H. "Cause" defined-non-curable                  | None             | Not Applicable  |
| I. Your obligations Termination/nonrenewal      | Section 5        | Upon termination you must return to the Company all confidential information and refrain from any further use of confidential information.  |
| J. Assignment of contract by the Company        | None             | Not Applicable.   |
| K. "Transfer" by you                            | Section 10       | You may not transfer or assign the Application Agreement.   |
| L. The Company's approval of a transfer by you. | None             | Not Applicable.   |
| M. Conditions for approval of transfer          | None             | Not Applicable.   |

|  |            |  |
|--|------------|--|
| N. The Company's right of First Refusal to acquire your business       | None       | Not Applicable.  |
| O. The Company's option to Purchase your business                      | None       | Not Applicable.  |
| P. Your death and Disability   | None       | Not Applicable.  |
| Q. Non-Competition covenants during the term of the agreement          | None       | Not Applicable.  |
| R. Non-Competition covenants after the agreement terminates or expires | None       | Not Applicable.  |
| S. Modification of the Agreement                                       | None       | Not Applicable.  |
| T. Integration/merger clause   | Section 15 | Only the terms of the Application Agreement, the documents referred to in and the attachments to the Application Agreement are binding. Any other oral or written promises related to the subject matter of the Application Agreement may not be enforceable. This is not intended to disclaim any representations made in this disclosure document. |
| U. Dispute resolution Arbitration or mediation                         | None       | Not Applicable.  |
| V. Choice of Forum   | None       | Not Applicable.  |
| W. Choice of Law   | Section 16 | Iowa law applies (subject to state law).   |

## 18. PUBLIC FIGURES

The Company does not use any public figure to promote its Franchises.

## 19. FINANCIAL PERFORMANCE REPRESENTATION

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

We do not make any representations about a franchisee's future financial performance or the past financial performance of company-owned or franchised outlets. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial information or projections of your future income, you should report it to the franchisor's management by contacting Robert D. Johnson, 2900 100<sup>th</sup> St., Suite 302, Urbandale, Iowa 50322, (515) 221-3203, the Federal Trade Commission, and the appropriate state regulatory agencies.

## 20. OUTLETS AND FRANCHISEE INFORMATION

Table No. 1

### Systemwide Outlet Summary For Years 2022-2024

| Column 1<br>Outlet Type | Column 2<br>Year | Column 3<br>Outlets at the<br>Start of the Year | Column 4<br>Outlets at the<br>End of the Year | Column 5<br>Net Change |
|-------------------------|------------------|---|---|------------------------|
| Franchised              | 2022             | 2   | 2   | 0                      |
|                         | 2023             | 2   | 2   | 0                      |
|                         | 2024             | 2   | 2   | 0                      |
| Company-Owned           | 2022             | 9   | 10  | 1                      |
|                         | 2023             | 10  | 10  | 0                      |
|                         | 2024             | 10  | 10  | 0                      |
| Total Outlets           | 2022             | 11  | 12  | 1                      |
|                         | 2023             | 12  | 12  | 0                      |
|                         | 2024             | 12  | 12  | 0                      |

Table No. 2

### Transfers of Outlets from Franchisees to New Owners (Other Than the Franchisor) For Years 2022-2024

| Column 1<br>State | Column 2<br>Year | Column 3<br>Number of Transfers |
|-------------------|------------------|---------------------------------|
| Iowa              | 2022             | 0                               |
|                   | 2023             | 0                               |
|                   | 2024             | 0                               |
| Total             | 2022             | 0                               |
|                   | 2023             | 0                               |
|                   | 2024             | 0                               |

Table No. 3

**Status of Franchised Outlets  
For Years 2022-2024**

| Column 1<br>State | Column 2<br>Year | Column 3<br>Outlets at<br>Start of<br>Year | Column 4<br>Outlets<br>Opened | Column 5<br>Terminations | Column 6<br>Non-<br>Renewal | Column 7<br>Reacquired<br>by<br>Franchisor | Column 8<br>Ceased<br>Operations<br>- Other<br>Reasons | Column 9<br>Outlets at<br>End of the<br>Year |
|-------------------|------------------|--|-------------------------------|--------------------------|-----------------------------|--|--|--|
| Iowa              | 2022             | 2  | 0                             | 0                        | 0                           | 0  | 0  | 2  |
|                   | 2023             | 2  | 0                             | 0                        | 0                           | 0  | 0  | 2  |
|                   | 2024             | 2  | 0                             | 0                        | 0                           | 0  | 0  | 2  |
| Totals            | 2022             | 2  | 0                             | 0                        | 0                           | 0  | 0  | 2  |
|                   | 2023             | 2  | 0                             | 0                        | 0                           | 0  | 0  | 2  |
|                   | 2024             | 2  | 0                             | 0                        | 0                           | 0  | 0  | 2  |

Table No. 4

**Status of Company-Owned Outlets  
For Years 2022-2024**

| Column 1<br>State | Column 2<br>Year | Column 3<br>Outlets at<br>Start of<br>Year | Column 4<br>Outlets<br>Opened | Column 5<br>Outlets<br>Reacquired<br>from Franchisee | Column 6<br>Outlets<br>Closed | Column 7<br>Outlets Sold<br>to<br>Franchisee | Column 8<br>Outlets at<br>End of the<br>Year |
|-------------------|------------------|--|-------------------------------|--|-------------------------------|--|--|
| Iowa              | 2022             | 9  | 1                             | 0  | 0                             | 0  | 10   |
|                   | 2023             | 10   | 0                             | 0  | 0                             | 0  | 10   |
|                   | 2024             | 10   | 0                             | 0  | 0                             | 0  | 10   |
| Totals            | 2022             | 9  | 1                             | 0  | 0                             | 0  | 10   |
|                   | 2023             | 10   | 0                             | 0  | 0                             | 0  | 10   |
|                   | 2024             | 10   | 0                             | 0  | 0                             | 0  | 10   |

Table No. 5

**Projected Openings As Of December 31, 2025**

| Column 1<br>State | Column 2<br>Franchise Agreements<br>Signed But Outlet Not<br>Opened | Column 3<br>Projected New<br>Franchised Outlet In<br>the Next Fiscal Year | Column 4<br>Projected New<br>Company-Owned<br>Outlet In the Next<br>Fiscal Year |
|-------------------|---|---|---|
| Iowa              |   | 0   | 1   |
| Total             |   | 0   | 1   |

The following is a list of all franchisees and the addresses and telephone numbers of all of their stores.

B-CO Ames, Inc., 1112 South Duff, Ames, Iowa 50010; telephone number (515) 233-5678.

B-CO Ames North, LLC, 2415 Grand Avenue, Ames, Iowa 50010; telephone number (515) 620-5038.

There were no franchisees who had an outlet terminated, cancelled, not renewed or otherwise voluntarily or involuntarily ceased to do business during the Company's most recently completed fiscal year or who have not communicated with the Company within ten weeks of the issuance date of this disclosure document.

If you buy this franchise, your contact information may be disclosed to other buyers when you leave the system. The Company's Franchise Agreement and Development Agreement include confidentiality covenants, but the confidentiality covenants will not restrict a current or former franchisee from discussing his or her personal experiences as a franchisee in the Company's system with any prospective franchisee.

Since the Company has not sold any Franchises during its last three fiscal years, no Franchise Agreements have been entered into during this period and, consequently, no franchisees have become bound by any confidentiality provisions contained in the Franchise Agreements during that period.

## **21. FINANCIAL STATEMENTS**

Attached hereto as Exhibit G are the following financial statements of the Company:

Independent Auditor's Report together with the following audited financial statements:

Balance Sheets as of December 31, 2024, December 31, 2023, December 31, 2022 and December 31, 2021

Statements of Income – For the Years Ended December 31, 2024, December 31, 2023, December 31, 2022 and December 31, 2021

Statement of Stockholder's Equity – For the Years Ended December 31, 2024, December 31, 2023, December 31, 2022 and December 31, 2021

Statements of Cash Flows – For the Years Ended December 31, 2024, December 31, 2023, December 31, 2022 and December 31, 2021

Notes to Financial Statements

## **22. CONTRACTS**

The following contracts relevant to the Franchise are attached to this disclosure document as exhibits:

|                        |           |
|------------------------|-----------|
| Franchise Agreement    | Exhibit C |
| Development Agreement  | Exhibit D |
| Application Agreement  | Exhibit E |
| State Specific Addenda | Exhibit H |

## **23. RECEIPTS**

Two copies of an acknowledgement of your receipt of this disclosure document are attached as Exhibit "I." Please sign and date both, return one to the Company, and retain the other for your records.

**EXHIBIT A**

**STATE FRANCHISE ADMINISTRATORS**

## STATE ADMINISTRATOR LIST

1. State of California  
Department of Corporations  
600 S Commonwealth Avenue  
Los Angeles, California 90005
2. State of Hawaii  
Business Registration Division  
1010 Richards Street  
Honolulu, Hawaii 96813
3. State of Illinois  
Office of Attorney General  
500 South Second Street  
Springfield, Illinois 62706
4. Indiana Secretary of State  
Franchise Division  
One North Capitol  
Suite 560  
Indianapolis, Indiana 46205
5. State of Maryland  
Office of the Attorney General  
Division of Securities  
200 St. Paul Place, 20<sup>th</sup> Floor  
Baltimore, Maryland 21202
6. Consumers Protection Division  
Attn: Franchise  
670 Law Building  
Lansing, Michigan 58913
7. State of Minnesota  
Department of Commerce  
85 7<sup>th</sup> Place East, Suite 280  
St. Paul, Minnesota 55101  
(651) 539-1600
8. New York State Department of Law  
Bureau of Investor Protection  
on Securities  
120 Broadway  
New York, New York 10271
9. State of North Dakota  
Securities Commissioner  
600 East Boulevard, Fifth Floor  
Bismarck, North Dakota 58505
10. Rhode Island Department  
of Business Regulation  
Securities Section, Bank Division  
100 North Main Street  
Providence, Rhode Island 02903
11. State of South Dakota  
Division of Securities  
118 W Capital Avenue  
Pierre, South Dakota 57501-2017
12. Commonwealth of Virginia  
State Corporation Commission  
1300 E Main Street, 9<sup>th</sup> Floor  
Richmond, Virginia 23219
13. Department of Licensing  
Securities Division  
1300 Quince Street, SE  
PO Box 648  
Olympia, Washington 98504
14. State of Wisconsin  
Office of the Commissioner of  
Securities  
101 E Wilson Street, Fourth Floor  
Madison, Wisconsin 53701

**EXHIBIT B**

**AGENTS FOR SERVICE OF PROCESS**

AGENTS FOR SERVICE OF PROCESS

In Illinois

Illinois Attorney General  
Office of Attorney General  
500 South Second Street  
Springfield, Illinois 62706

In Minnesota

Commissioner of Commerce  
Department of Commerce  
133 East Seventh Street  
St. Paul, Minnesota 55101

**EXHIBIT C**  
**FRANCHISE AGREEMENT**

## FRANCHISE AGREEMENT

THIS FRANCHISE AGREEMENT (the "Agreement") is made and entered into as of the date set forth below, by and between B-Bop's Franchising Corp., an Iowa corporation ("Company"), and \_\_\_\_\_ ("Franchisee").

### RECITALS:

WHEREAS, Company is engaged in the business of licensing the operation by others of double drive-through fast food restaurants known as "B-Bop's", which sell, among other items, hamburgers, french fries and beverages (hereinafter referred to as a "B-Bop's Restaurant"); and

WHEREAS, Company has designed a distinctive system for establishing, operating and promoting a B-Bop's Restaurant, which system includes, but is not limited to, a unique and readily recognizable design, color scheme, decor, layout and signage for the business premises, equipment selection and installation, accounting methods, advertising and promotional techniques, personnel training and a confidential manual of operating procedures containing specially designed methods for operation of a B-Bop's Restaurant (hereinafter collectively referred to as the "Licensed System"); and

WHEREAS, each B-Bop's Restaurant is operated in connection with and through use of the "B-Bop's" name and through the use of certain related logos (hereinafter collectively referred to as "Licensed Marks"); and

WHEREAS, Company and its affiliates have made a substantial investment in developing and perfecting the Licensed System and in advertising and promoting the Licensed Marks, both of which are recognized as representing the highest standards of quality and service; and

WHEREAS, Franchisee desires to establish and operate a B-Bop's Restaurant at the location hereinafter designated, to use in connection therewith the Licensed System and the Licensed Marks and to derive the benefits of Company's information, experience, advice, guidance and customer goodwill; and

WHEREAS, Franchisee recognizes the importance to Company and to the public of maintaining the integrity, qualities and attributes of products associated with the Licensed Marks and is willing to adhere to certain uniform standards, policies and procedures to maintain such integrity, qualities and attributes.

NOW, THEREFORE, in consideration of the foregoing recitals and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. GRANT AND ACCEPTANCE OF FRANCHISE. Company hereby grants to Franchisee, and Franchisee hereby accepts from Company, a nonexclusive right, license and franchise to establish and operate a B-Bop's Restaurant (the "Franchise") at the following location only:

---

Street and Number

---

City, State and Zip

(the "Franchise Premises"), and to use only in connection therewith the Licensed System and Licensed Marks, together with such other confidential and valuable information and trade secrets as may now or hereafter exist and constitute a portion of the Licensed System, all upon the terms and conditions set forth in this Agreement. Franchisee agrees to establish, maintain, operate and promote the Franchise in compliance with the provisions of this Agreement and with Company's standards, policies and procedures as prescribed from time to time by Company in the confidential operations manual provided by Company (the "Operations Manual"). Franchisee may not directly or indirectly subfranchise, sublicense or in any other manner authorize any other person to own or operate a B-Bop's Restaurant or to utilize in any manner all or any portion of the Licensed System or the Licensed Marks. Franchisee acknowledges that the rights granted hereunder are limited to operation of a B-Bop's Restaurant on the Franchise Premises exclusively and that Franchisee shall have no right to operate a B-Bop's Restaurant at any other location, whether on a permanent or temporary basis.

2. TERM. The term of this Agreement and of the nonexclusive right, license and franchise granted hereunder shall commence upon the effective date of this Agreement and shall continue until the fifteenth (15th) anniversary thereof, or until the termination of this Agreement in accordance with the provisions hereof, whichever shall first occur (hereinafter the "Term"). Franchisee agrees to operate the Franchise on a continual basis throughout the Term, subject to the terms and conditions of this Agreement. Any renewal of the Franchise shall be governed by Section 18 of this Agreement.

3. EXCLUSIVITY. Company shall not during the Term of this Agreement open or franchise another B-Bop's Restaurant or any other restaurant business serving similar items within a two (2) mile radius of the Franchise Premises. Company reserves the right to grant and sell franchises to others to operate, and to own and operate for its own account or with others, a B-Bop's Restaurant at any location other than as restricted in this Section 3.

4. COMMENCEMENT OF OPERATIONS. Franchisee agrees to open and commence operation of the Franchise as soon as practicable after the effective date of this Agreement. In no event shall such opening and commencement of operations be delayed beyond eight (8) months from the effective date of this Agreement, unless an extension of time is granted in writing by Company. Where Franchisee has exhibited due diligence in complying with this Section 4, Company may, in its sole discretion, consent to an extension of the eight (8) month time period specified herein. Company shall not unreasonably withhold its consent when the delay results from circumstances beyond the reasonable control of Franchisee.

5. DEVELOPMENT OF FRANCHISE PREMISES. Franchisee agrees to secure, at its sole expense, a site for the Franchise Premises which shall be approved in writing by Company as being suitable for use as a B-Bop's Restaurant. Using the construction plans and specifications

provided by Company, Franchisee shall be responsible, at its sole cost, for selecting an architect to transform such specifications into site specific plans and specifications which shall comply with all local codes, regulations and ordinances applicable to construction of the Franchise Premises and operation of the Franchise. Prior to commencement of construction of any improvements, Franchisee shall obtain Company's written approval of the site specific plans and specifications for the Franchise Premises. Upon receipt of such approval, Franchisee shall enter into a contract with a responsible contractor providing for construction of improvements to the Franchise Premises in accordance with site specific plans and specifications, all at the expense of Franchisee. Franchisee shall be responsible for obtaining all building, zoning, utility and other permits necessary for construction of the Franchise Premises and for obtaining all landlord consents for said construction required under any applicable lease or other governing document, all at the expense of Franchisee.

Company shall conduct a pre-opening inspection of the Franchise Premises to confirm that construction of the improvements has been undertaken in accordance with the site specific plans and specifications. If Company, in its sole discretion, determines that construction of the improvements or installation of the equipment, fixtures, furnishings or signage has failed in any material respect to comply with the site specific plans and specifications Company shall be entitled to delay of the opening of the Franchise until such time as the necessary corrections in design or installation have been made to Company's reasonable satisfaction. All corrections and modifications to the Franchise Premises required by Company shall be undertaken at the expense of Franchisee. After completion of construction, Franchisee will make no alteration or modification of the facilities, equipment, fixtures, furnishings, appearance or signage (interior or exterior) of the Franchise Premises, except with the prior written approval of Company. Company may in its discretion conduct periodic inspections of the Franchise Premises during the construction phase of the project for compliance with the site specific plans and specifications.

6. PURCHASE OF EQUIPMENT AND SUPPLIES. To maintain uniformity in use of the Licensed System, Franchisee agrees to purchase equipment, fixtures, signage, supplies and food and beverage products necessary to establish and operate the Franchise in accordance with Company's specifications and standards in effect from time to time and, at the option of the Company, to purchase certain of such items through suppliers from time to time approved or designated by Company (which may include Company or its affiliates). Company reserves the right to substitute or add new items to the Licensed System from time to time and to require that such items be purchased in accordance with specifications established by Company or, at the option of the Company, through suppliers approved or designated by Company (which may include Company or its affiliates).

7. TRAINING COURSE; COOPERATION FOR OPENING ASSISTANCE.

A. Training Course. Franchisee or Franchisee's proposed manager shall, prior to the opening of the Franchise for business, attend and complete to the satisfaction of Company a training course to be conducted by Company at its principal office. The training course shall include on-site instruction regarding standard management procedures for operation of a B-Bop's Restaurant. The course and all materials necessary to conduct such training for up to two (2) persons will be provided by Company as part of the initial franchise fee. Franchisee shall pay all compensation, travel, lodging and other expenses

incurred by Franchisee or its employees in attending the course. If, during the training course, Company determines in its sole discretion that Franchisee's proposed manager is not qualified to manage a B-Bop's Restaurant, Company shall notify Franchisee and Franchisee shall be entitled to select and enroll a substitute manager in such course. Company may, in its discretion, extend the standard period of training for Franchisee or its proposed manager if Company deems additional training to be necessary to satisfactorily complete the course.

B. Cooperation for Opening Assistance. Franchisee acknowledges that, as provided in Section 8(F) hereof, the Company will provide assistance to Franchisee, at the Franchise Premises, prior to and following the opening of the Franchise and Franchisee shall make the Franchise Premises available to representatives of the Company to provide the assistance and Franchisee or Franchisee's manager shall be available, at the Franchise Premises, during the time that Company's representatives are at the Franchise Premises to provide the assistance contemplated by Section 8(F) and shall cooperate with the Company's representatives with respect to the assistance.

8. INITIAL OBLIGATIONS OF COMPANY. Subject to the terms and conditions of this Agreement, Company agrees to provide Franchisee with the following assistance in connection with the establishment of the Franchise:

A. Site Approval. Company shall undertake such on-site reviews as Company may in its discretion deem necessary to approve the site proposed by Franchisee for the Franchise Premises and to determine whether the Company will require Franchisee to include indoor seating in the Franchise Premises. Franchisee acknowledges and agrees that Company's approval of a site and determination of whether or not the Franchise Premises will include indoor seating shall not constitute any type of warranty by Company that such site, with or without indoor seating, will prove to be a successful location for the Franchise.

B. Construction Specifications. Company shall provide Franchisee with plans and specifications for construction of the Franchise Premises. Franchisee shall be responsible for paying the expense of transforming the plans and specifications into site specific plans and specifications for the Franchise Premise and ensuring that such plans and specifications comply with all codes, regulations or ordinances and any lease or deed requirements applicable to construction of the Franchise Premises or operation of the Franchise. The plans and specifications shall at all times remain the exclusive property of Company and shall be returned to Company after construction of the Franchise Premises is completed. Any modifications to the plans and specifications require the consent of Company and such consent will be subject to the person making the modifications executing and delivering to Company an assignment of such person's rights to the plans and specifications as modified.

C. Training Course. Company shall provide a training course in accordance with the provisions of Section 7(A) hereof.

D. Operations Manual. Company shall loan Franchisee its confidential Operations Manual describing the Licensed System and the standard operating policies and

procedures to be used in connection therewith. The Operations Manual shall at all times remain the exclusive property of Company and shall be returned to Company immediately upon termination or expiration of this Agreement. Franchisee acknowledges that Company shall have the right to modify, add to or otherwise revise the operating policies and procedures contained in Operations Manual from time to time. Franchisee agrees to operate the Franchise at all times in strict compliance with the policies and procedures contained in the Operations Manual and to comply with any modifications, additions or revisions thereto as if they were a part of the Operations Manual on the effective date of this Agreement.

E. Equipment and Supply Purchases. Company shall make available for purchase by Franchisee all materials and supplies which Franchisee is required to purchase from Company, if any. Company shall additionally provide Franchisee with information regarding purchase specifications and any approved or designated suppliers for other items necessary to establish and operate the Franchise. Company may, at its option, make available to Franchisee an equipment package containing all the equipment, fixtures, furnishings, signage, materials and supplies necessary for construction and operation of the Franchise.

F. Opening Assistance. The Company shall for a period of between three and five days prior to the opening of the Franchise and for a period of four to six days immediately following the opening of the Franchise, with the exact number of days determined in each case by the Company, provide, at the Franchise Premises, between one and four persons to assist Franchisee in the preparation for the opening of the Franchise and to assist Franchisee in the operation of the Franchise following the opening. If the Company determines, within its discretion, to have its people travel by air to the Franchise Premises, Franchisee agrees to reimburse the Company, on demand, for the round trip airline expenses incurred by the Company for such purpose. Franchisee also agrees to reimburse the Company, on demand, for the hotel expenses incurred by the Company for the people provided by the Company. All other travel expenses for the people provided by the Company to assist Franchisee, as provided above, shall be the obligation of the Company.

9. FEES AND PAYMENTS BY FRANCHISEE. Franchisee covenants and agrees to pay Company the following fees and amounts at the times specified below:

A. Initial Franchise Fee. In consideration of the Franchise granted hereunder, Franchisee shall pay Company upon execution of this Agreement an initial franchise fee of: (i) Thirty Thousand Dollars (\$30,000) if Franchisee does not own an existing B-Bop's Restaurant at the time of entering into this Agreement; or (ii) Twenty-Five Thousand Dollars (\$25,000) if Franchisee does own an existing B-Bop's Restaurant at the time of entering into this Agreement. The initial franchise fee shall be fully earned by Company upon payment thereof and shall not be refundable under any circumstances. In the event Franchisee has paid Company any deposit prior to entering into this Agreement, the amount of such deposit shall be applied toward payment of the initial franchise fee.

B. Royalty and Service Fee. Franchisee agrees to pay Company a monthly royalty and service fee equal to five percent (5%) of gross sales (as defined in Section 9(D))

hereof) generated by the Franchise during each calendar month (or portion thereof), beginning with the calendar month in which the Franchise opens for business and continuing for each subsequent calendar month during the Term hereof. Payment of the royalty and service fee shall be made to Company no later than the twentieth (20th) day of the calendar month following the calendar month for which the royalty and service fee is being paid. Such payment shall be accompanied by a gross sales report in a format prescribed by Company which shall specify the gross sales of the Franchise for the immediately preceding calendar month.

C. Advertising Fee. Franchisee agrees to pay Company an advertising fee equal to three percent (3%) of gross sales (as defined in Section 9(D) below) generated by the Franchise during each calendar month, beginning with the calendar month in which the Franchise opens for business and continuing for each subsequent calendar month during the Term hereof. Such fee shall be used by Company solely for development of advertising and promotional campaigns, which advertising and promotional campaigns shall be made available to Franchisee for implementation at its own expense in accordance with Section 10(D) hereof. Payments required under this Section shall be made together with the royalty and service fee payment and shall also be made to Company no later than twenty (20) days following the completion of the calendar month for which the advertising fee is being paid. Company may, in its sole discretion, elect to waive payment of all or a portion of the advertising fee provided for in this Section 9(C) for such period of time as Company may deem appropriate. Any such waiver may be revoked at such time as Company in its sole discretion may deem appropriate and Franchisee agrees to thereafter comply with this Section 9(C) in all respects. During any period of waiver of the entire fee, Company shall not be obligated to develop advertising and promotional campaigns for use by Franchisee.

D. Definition of Gross Sales. For purposes of this Agreement, the term "gross sales" shall be defined to mean the aggregate amount of all sales of food, beverage and promotional items generated by the Franchise and shall include all sales, receipts and revenues in any form and from any and all sources whatsoever, directly or indirectly received by Franchisee as a result of the Franchise, whether for cash or credit and regardless of collection in the case of credit. The term "gross sales" shall also include all revenues derived from the sale of any product or service not included in the Licensed System, but for which Company has given its consent. The term "gross sales" shall not include the amount of any sales or other tax imposed by any federal, state, municipal or other governmental authority directly on sales and collected from patrons, provided that the amount of such tax is added to the selling price or otherwise absorbed therein and actually paid by Franchisee to such governmental authority.

E. Late Payment Charge and Interest. Any payment required to be made to Company (or any affiliate thereof) under the terms of this Agreement or pursuant to any other arrangement and not received on or before its due date shall be deemed past due. If any payment is past due, Franchisee agrees to pay Company (or such affiliate), in addition to the past due amount, a late fee of Two Hundred Dollars (\$200) plus interest on the past due amount at the rate of one and one-half percent (1-1/2%) per month, or the maximum rate permitted by the law of the state in which the Franchise is located, whichever may be less, commencing as of the due date and continuing until Company has received payment in full.

F. Books and Records. Franchisee agrees to maintain true and correct books and records in which shall be recorded all gross sales and which shall be prepared in accordance with generally accepted accounting principles and utilizing such bookkeeping forms and employing such bookkeeping procedures as Company may from time to time direct. All books and records shall be retained by Franchisee for a period of at least five (5) years following the end of the year to which such books and records relate. Company, or its duly authorized representative, shall have the right within five (5) years from the date of delivery of any financial report submitted to Company to examine, inspect or audit Franchisee's books and records pertaining to the figures presented in such report. Franchisee acknowledges and agrees that Company shall have the right to have direct independent electronic access to the information and data from Franchisee's electronic cash register system, including, but not limited to, Franchisee's gross sales. Franchisee agrees to pay on demand by Company any deficiency in royalties or fees shown to be due by such examination or audit, plus interest at the rate of one and one-half percent (1-1/2%) per month, or the maximum rate allowed by the law of the state in which the Franchise is located, whichever may be less. In addition, if the amount of gross sales for such period, as determined by such examination or audit, is greater by three percent (3%) or more than the amount shown by Franchisee's reports, Franchisee shall pay the cost of the examination or audit (including, but not limited to, wages and accounting, travel and lodging expenses); otherwise, the cost thereof shall be paid by Company. Any amounts owing to Company under this Section 9(F) shall be paid upon demand by Company.

G. Financial Reports. Each royalty payment shall be accompanied by a gross sales report prepared in a format prescribed by Company. Within thirty (30) days of the close of each calendar month during the Term hereof, Franchisee shall complete, execute and deliver to Company, on forms specified and provided by Company, a complete and accurate profit and loss statement for such calendar month. Franchisee shall additionally submit to Company a copy of all federal income tax returns covering the operations of the Franchise within thirty (30) days of the filing thereof with the Internal Revenue Service. Company reserves the right to modify the reporting obligations of Franchisee as set forth herein and to implement alternative methods of reporting.

10. CONTINUING OBLIGATIONS OF FRANCHISEE. Franchisee agrees to comply with the following obligations during the Term of this Agreement:

A. Management and Operation. Franchisee agrees to devote Franchisee's full-time and best efforts to the active management and operation of the Franchise, or to appoint a manager to devote such manager's full-time and best efforts to operation of the business. Franchisee shall have the right to appoint a full-time manager to operate the Franchise on a day-to-day basis, provided that: (i) Company shall have the right to approve the qualifications of such manager; and (ii) Franchisee shall remain active in the business by monitoring such manager's performance in operating the Franchise. Company's approval of Franchisee's manager shall not be unreasonably withheld, provided such manager has completed the training course (to the satisfaction of Company) required pursuant to Section 7(A) of this Agreement. The individual responsible for the daily management and supervision of the Franchise shall assume such responsibilities on a full-time basis and shall not engage in any other business or activity that requires significant time commitments or that may otherwise be detrimental to or interfere with the management obligations imposed hereunder. If Franchisee is a partnership, corporation or limited liability company, Franchisee shall not be involved in any business or activities apart from ownership and operation of the Franchise (and the ownership of any other B-Bop's Restaurant pursuant to a franchise agreement between Company and Franchisee).

Franchisee shall operate the Franchise only on the Franchise Premises and only in accordance with the business standards, procedures and policies set forth in the Operations Manual, as modified from time to time, or as specified in other manuals or written material provided by Company. Franchisee acknowledges that Franchisee shall be required to sell each of the items contained in the standard B-Bop's Restaurant menu as established from time to time by Company, and that each of such items will be prepared, packaged and sold in strict conformance with Company's standard operating procedures set forth in the Operations Manual.

B. Employees. Franchisee shall hire a sufficient number of qualified employees to operate the Franchise in an efficient manner, and shall train and supervise such employees in accordance with the Company's standards and policies as contained in the Operations Manual to ensure that such employees at all times provide competent, prompt and courteous service to all patrons of the Franchise. Franchisee shall comply with all federal, state and local equal opportunity, labor and employment laws applicable to its employment relationship with each employee. Franchisee shall require all employees performing managerial or supervisory functions and all personnel receiving special training from Company to execute nondisclosure and noncompetition agreements on forms provided by Company.

C. Operations Manual. Franchisee shall diligently and thoroughly review and study the Operations Manual and become knowledgeable with respect to the contents thereof. Franchisee covenants and agrees to operate the Franchise at all times in accordance with the procedures and policies contained therein (including, but not limited to, compliance with the prescribed menu of food and beverage items to be sold at the Franchise). Franchisee shall also diligently and thoroughly review and study all updates to the Operations Manual, such that Franchisee shall be knowledgeable concerning all additions or modifications to the Licensed System.

D. Independent Advertising. Franchisee shall, during each calendar quarter during the Term of this Agreement, expend at least two percent (2%) of the gross sales (as defined in Section 9(D) above) generated by the Franchise for independent advertising to be undertaken by Franchisee. The advertising expenditures required by this Section 10(D) shall be in addition to, not in lieu of, the advertising fee required to be paid directly to Company under Section 9(C) of this Agreement. Franchisee may satisfy the independent advertising requirement by implementation of advertising and promotional campaigns provided by Company in accordance with Section 11(A) hereof or may create and implement advertising or promotional campaigns of its own, provided that any advertising or promotional campaign developed by Franchisee shall be submitted to Company for its written approval prior to implementation thereof. Company reserves the right to require Franchisee to submit a report detailing all independent advertising expenditures (along with copies of supporting invoices) at such times as Company may direct.

E. Licenses, Permits and Legal Compliance. Franchisee shall at its expense obtain and maintain in full force and effect all permits or licenses essential to the lawful operation of the Franchise. Franchisee shall additionally, at its sole expense, at all times promptly and fully comply with all federal, state and local laws, ordinances, rules and regulations applicable to operation of the Franchise, including, but not limited to, the payment when due (unless contested in good faith through appropriate proceedings) of all taxes assessed against Franchisee or against the sale of any product or item by the Franchise.

F. Maintenance of Franchise Premises. Franchisee shall at all times maintain the interior and exterior of the Franchise Premises, including all equipment, fixtures, furnishings and signs, in a good, clean, sound, attractive and safe condition. Franchisee agrees to undertake such repairs, redecoration and restoration of the Franchise Premises as shall from time to time be necessary to maintain the Franchise Premises in accordance with Company's standards regarding the condition, appearance and image of a B-Bop's Restaurant, which shall include, but not be limited to, replacement of worn, obsolete or nonfunctioning equipment, fixtures, furnishings or signage. In the event the Franchise Premises is damaged or destroyed by fire or other casualty, Franchisee shall within sixty (60) days of such event implement and diligently pursue such repairs as may be necessary to restore the Franchise Premises to its original condition; or, if the Franchise Premises can be restored in accordance with Company's then current specifications without significant additional cost to Franchisee, Company shall be entitled to direct that such restoration proceed in accordance with the then current specifications.

In the event Company determines in its reasonable judgment (through inspection or otherwise) that Franchisee has failed to maintain the Franchise Premises in accordance with Company's standards for cleanliness, condition and appearance, Company shall notify Franchisee of the deficiencies and demand that specific corrective action be taken. If Franchisee fails within ten (10) days after receipt of such notice to correct the deficiencies or to implement and diligently pursue a program for the correction of such deficiencies, Company or its agents shall be entitled (but not required) to enter the Franchise Premises (without liability for trespass or other tort) to make such repairs and perform such

refurbishing or redecorating as may be necessary to bring the Franchise Premises into compliance with Company's standards, all at the expense of Franchisee. Franchisee agrees to pay Company on demand for all reasonable expenses incurred by Company in correcting the deficiencies, plus interest at the rate specified in Section 9(E) hereof from the date of payment by Company.

G. Modifications to System. Franchisee acknowledges that the Licensed System must continue to evolve in order to exploit new and changing consumer demands and, accordingly, that modifications and additions to the Licensed System may be necessary from time to time during the Term of this Agreement in order to preserve and enhance the public image of a B-Bop's Restaurant. Franchisee agrees that Company may from time to time modify, add to or otherwise revise the Licensed System, the Licensed Marks or the standards as set forth in the Operations Manual, provided that no such modification, addition or revision shall be commercially unreasonable under the circumstances or alter or conflict with the terms of this Agreement. Franchisee agrees to promptly accept and implement at its expense any of such modifications, additions or other revisions to the Licensed System, the Licensed Marks or the standards as set forth in the Operations Manual within such period of time as Company shall specify.

H. Inspections. Company shall have the right from time to time to enter the Franchise Premises during business hours, without prior notice, for the purpose of making periodic inspections of the Franchise to ensure compliance of Franchisee's operations with the standards and policies of the Operations Manual and with the terms of this Agreement. Franchisee agrees to cooperate with Company's representatives in all such inspections and render such assistance as may reasonably be requested. Franchisee acknowledges that Company shall be entitled during any inspection to interview Franchisee's employees or customers. Franchisee agrees to remedy any noncompliance with Company policies or standards noted during any inspection within ten (10) days of the date of inspection, or within such longer period as Company may in its discretion grant. Franchisee acknowledges that continuous noncompliance with Company standards and policies, even though remedied after each inspection, shall constitute grounds for termination of this Agreement.

I. Other Businesses. Franchisee shall not directly or indirectly operate or engage in any business or activity, other than a B-Bop's Restaurant, on the Franchise Premises without the prior written consent of Company. Franchisee shall be restricted to preparing and serving only those food and beverage items as may be included from time to time in Company's standard menu. Products or services not included in the Licensed System may not be sold, displayed, offered or used in the Franchise, except with the prior written consent of Company.

J. Accounts Payable. Franchisee shall promptly pay when due all accounts payable and other invoices or obligations of whatever nature incurred by Franchisee in operation of the Franchise, whether such payments are to be made to Company or to third parties.

11. CONTINUING OBLIGATIONS OF COMPANY. Subject to the terms and

conditions of this Agreement, Company agrees to provide Franchisee with the following services and assistance during the term of this Agreement:

A. Development of Advertising. Company shall, with the funds collected pursuant to the advertising fee paid by Franchisee and all other franchisees, develop and provide to Franchisee advertising, promotional and public relations campaigns to promote the Licensed System and the Licensed Marks. All decisions from time to time regarding the content, concepts, materials and media used in developing such campaigns shall be within the sole discretion of Company. Franchisee shall be responsible at its own expense for implementing such campaigns in accordance with Section 10(D) hereof. Notwithstanding the foregoing, Franchisee acknowledges and agrees that Company shall be under no obligation to develop or provide advertising campaigns to Franchisee during any period of time in which Company has elected to waive payment in whole of the advertising fee by Franchisee.

B. Support Trips. Company will make a minimum of two (2) trips per year to the Franchise Premises to provide on-site support and advisory services to Franchisee for the proper operation of the Franchise. Each support trip shall be made at the expense of Company and shall be scheduled at Company's discretion. Additional support trips made at the request of Franchisee shall be at the expense of Franchisee. Company shall be entitled to conduct an inspection of the Franchise Premises during the course of any support trip.

C. Operating Assistance. Company shall from time to time provide Franchisee with such advice and guidance regarding the proper operation of the Franchise as Company may in its discretion deem appropriate. Such assistance will typically consist of consultation and advice regarding standard operating procedures for a B-Bop's Restaurant, specific operating problems encountered by Franchisee, analysis of financial reports submitted by Franchisee, development and implementation of advertising and promotional campaigns and updates or improvements to the Licensed System. The timing and methods of providing such assistance and consultation shall be left to the discretion of Company, but may include communication by telephone, updates to the Operations Manual and on-site support trips required of Company.

D. Updates to System or Marks. Company will inform Franchisee on a timely basis of any modifications, additions or other revisions, if any, of the Licensed System, the Licensed Marks or the Operations Manual. Such modifications, additions or revisions shall be distributed to the Franchisee in the form of periodic updates to the Operations Manual or through other written material sent to Franchisee.

E. Additional Training. In the event Franchisee or its manager request additional training, or in the event Franchisee hires a new manager for the Franchise, Company shall provide such additional training upon payment by Franchisee of a fee not to exceed Two Thousand Dollars (\$2,000).

12. OWNERSHIP AND VALIDITY OF LICENSED MARKS. Franchisee acknowledges Company's exclusive right, title and interest in and to the Licensed Marks and the

goodwill associated therewith, and that any trademark registrations granted to Company by the United States or any state are duly and validly issued. Franchisee will not, at any time during the Term of this Agreement or thereafter, do or cause to be done any act or thing contesting or in any way impairing any part of such right, title and interest. Franchisee shall not represent that it has any ownership rights in the Licensed Marks or in any registration thereof and acknowledges that its use of the Licensed Marks shall not create in its favor any right, title or interest in the Licensed Marks, but all uses of the Licensed Marks by Franchisee and any goodwill established thereby shall inure solely to the benefit of Company. Franchisee shall not undertake any act which Franchisee knows, or is notified by Company, may adversely affect the validity of the Licensed Marks.

13. USE OF LICENSED MARKS. Franchisee acknowledges and agrees that Franchisee has a duty and that it is in Franchisee's best interest to maintain and enhance the goodwill inherent in the Licensed Marks. Franchisee accordingly agrees that its use of the Licensed Marks shall comply with the policies set forth in the Operations Manual and be limited solely to display in connection with operation of the Franchise on the Franchise Premises. Franchisee agrees not to use, display or imitate the Licensed Marks in connection with any goods or services not authorized for the Licensed System, except with the prior written consent of Company. Franchisee further agrees not to use the words "B-Bop's" as a part of the name of any partnership, corporation or limited liability company through which the Franchise is to be owned or operated. Franchisee shall use no trademark, trade name or service mark in connection with the Franchise other than the Licensed Marks, unless such use is first approved in writing by Company. Franchisee shall, when using the Licensed Marks, comply with all laws pertaining to trade names, trademarks and service marks, including marking all documents and materials showing registration to Company. Company may from time to time add to the Licensed Marks by notifying Franchisee of such additions in writing, and said additions shall, for purposes of this Agreement, be classified as Licensed Marks. Company shall additionally have the right, in its sole discretion, to require Franchisee to discontinue or modify use of any of the Licensed Marks within thirty (30) days of receipt of written notice from Company.

Franchisee agrees to immediately notify Company in writing of the following: (a) any challenge to Franchisee's use of the Licensed Marks; (b) any claim by a third party to rights in any of the Licensed Marks (or confusingly similar marks) that comes to the attention of Franchisee; or (c) any apparent infringement of the Licensed Marks that comes to the attention of Franchisee. Company shall have complete discretion in taking such action as it may deem appropriate upon notification of any such challenge, claim or infringement, and shall have exclusive control over any litigation or other proceeding instituted with respect to the Licensed Marks. Franchisee agrees to cooperate with Company in investigating, prosecuting or defending any action involving any of the Licensed Marks or other trade secrets of Company.

14. INSURANCE OBLIGATIONS. Franchisee shall procure and maintain at Franchisee's own expense during the Term of this Agreement insurance coverage for the Franchise as specified by Company from time to time in the Operations Manual. Each policy of insurance shall be issued by an insurance carrier acceptable to Company that is legally authorized to do business in the state in which the Franchise Premises is located and shall name Company and B-Bop's, Inc. as additional insureds. All of such policies shall provide for a minimum of thirty (30) days written notice to Company prior to cancellation, termination, nonrenewal or change of such insurance. Company shall be entitled on an annual basis to impose reasonable increases in the minimum

liability coverage requirements and to require at any time on reasonable prior notice to Franchisee different or additional types of coverage to reflect inflation, changes in standards of liability or higher damage awards in liability litigation or other relevant factors. A copy of each of the said policies, or appropriate evidence thereof, and any renewals thereof, shall be delivered to and remain in the possession of Company. Franchisee agrees to report all losses to Company within ten (10) days of such loss, whether or not such loss is covered by the policies in force. Franchisee's performance of the obligations imposed under this Section 14 shall not relieve Franchisee of the indemnification obligation imposed by Section 15 hereof.

15. INDEMNIFICATION AND NOTIFICATION OF PROCEEDINGS. Franchisee alone shall be responsible for all loss or damage in any manner arising out of or relating to the ownership and operation of the Franchise. Accordingly, Franchisee agrees to indemnify and hold Company and its affiliates and their respective (directors, officers, employees and agents) harmless from and against all claims, losses, damages, liabilities, fines, suits, proceedings, expenses (including, without limitation, costs and attorneys' fees) or actions of any kind or nature arising out of or in any way connected with the ownership or operation of the Franchise or the conduct or business of Franchisee or its officers, employees or agents. Franchisee further agrees that if Company or any other indemnitee is made a party to a lawsuit or other legal proceeding in connection with the ownership or operation of the Franchise or the conduct or business of Franchisee or its officers, employees or agents, then, at the option of Company or such other indemnitee, Company or such other indemnitee may tender the defense and/or prosecution of the case to Franchisee who shall be responsible for diligently pursuing the case or action at Franchisee's expense, or Company or such other indemnitee may hire counsel directly to protect its respective interests and bill Franchisee for all costs and attorneys' fees incurred in connection therewith, in which case Franchisee shall reimburse promptly the billing party for all such costs and expenses incurred. The indemnification obligation imposed by this Section 15 shall survive the termination or expiration of this Agreement. Franchisee agrees to notify Company in writing within five (5) days of the commencement of any action, suit or proceeding, or the issuance of any order, writ, injunction, award or decree of any court, agency or other governmental instrumentality, which may affect Franchisee's financial condition or ability to meet its obligations or duties under this Agreement.

16. CONFIDENTIAL INFORMATION. Franchisee hereby acknowledges that Company will provide highly confidential and proprietary information to Franchisee in connection with the development and operation of the Franchise, including, but not limited to, recipe information and information contained in the Operations Manual, and that Franchisee will not acquire any rights or interest in such information apart from use thereof in accordance with the terms of this Agreement. Franchisee acknowledges and agrees that such confidential information is disclosed to Franchisee solely on the condition that Franchisee agrees that Franchisee: (a) will not use the confidential information in any other business or activity; (b) will comply with the provisions of the noncompete covenant contained herein; (c) will maintain confidentiality with respect to such information and will not, directly or indirectly, divulge, disclose or otherwise communicate to any person or entity any of such information; (d) will not make, use or retain unauthorized copies of any portion of such confidential information that may appear in writing; and (e) will adopt and implement all reasonable procedures prescribed from time to time by Company to prevent unauthorized use or disclosure of such information, including the requirement that managerial employees of Franchisee execute

nondisclosure and noncompete covenants as a condition of employment. The provisions of this Section and the obligation of confidentiality shall survive the termination or expiration of this Agreement.

17. COVENANT NOT TO COMPETE. Franchisee hereby acknowledges and agrees as follows:

A. That during the Term of this Agreement, Franchisee, its directors, officers, shareholders, partners, members, employees and agents will not, directly or indirectly, enter into or engage in any business as a director, officer, shareholder, proprietor, partner, consultant, employee or in any other position or capacity, which business is engaged at any location in a business the same as or substantially similar to that of a B-Bop's Restaurant (except for any other B-Bop's Restaurant owned and operated by Franchisee pursuant to a franchise agreement with Company);

B. That for a period of two (2) years immediately following the termination or expiration of this Agreement, Franchisee, its directors, officers, shareholders, partners, members, employees and agents will not, directly or indirectly, enter into or engage in any business as a director, officer, shareholder, proprietor, partner, consultant, employee or in any other position or capacity, which business is engaged in a business the same as or substantially similar to that of a B-Bop's Restaurant within: (i) a twenty (20) mile radius of the Franchise Premises; or (ii) a twenty (20) mile radius of any other B-Bop's Restaurant then in operation or under development (except for any other B-Bop's Restaurant owned and operated by Franchisee pursuant to a franchise agreement with Company);

C. That during the Term of this Agreement and for a period of two (2) years thereafter, Franchisee, its directors, officers, shareholders, partners, members, employees or agents acting individually or through others, will not, directly or indirectly: (i) employ (or contact or solicit for the purpose of seeking to employ) any then current employee of Company or of any other franchisee; (ii) request that any customer of Company or any other franchisee cancel or terminate their business or their relationship with Company or such other franchisee; or (iii) request that any other authorized franchisee of Company cancel or terminate its relationship with Company;

D. For purposes of this Section 17, a business will be deemed to be the "same as or substantially similar to a B-Bop's Restaurant" if it is engaged in preparing and serving to the public any food item from time to time included as a standard menu item for a B-Bop's Restaurant.

E. In the event any court of competent jurisdiction makes a final determination that the time period set forth in this Section 17 is excessive, or that the geographic area set forth herein is unreasonable, and said court makes a determination as to a reasonable time period or geographic area, the parties hereto agree that for purposes of this Agreement, the period of time and/or geographic area shall be that which has been determined to be reasonable by such court. Franchisee acknowledges that the time and geographic restrictions set forth herein are fair and reasonable restrictions that provide necessary protection of

Company's interest in the Licensed System, the Licensed Marks and Company's ability to sell additional franchises. In the event Franchisee is a natural person, Franchisee represents and warrants that he has available to him sufficient other means of support and that observance of the covenants contained in this Section 17 will not deprive him of his ability to earn a livelihood or support his dependents. The provisions of this Section 17 shall survive the termination or expiration of this Agreement.

18. RENEWAL OF FRANCHISE. The Franchise granted hereunder may be renewed at the option of Franchisee upon the expiration of the Term of this Agreement for one (1) additional ten (10) year term upon the same terms and conditions as for initial franchises being offered by Company at the time of such expiration, provided that:

A. Franchisee gives Company written notice of its election to renew not less than six (6) months, nor more than twelve (12) months, prior to the expiration of the Term;

B. Franchisee, when notice is given and at the time of renewal, is not in breach of any material provision of this Agreement, or of any other agreement between Franchisee and Company or any affiliate thereof, and has substantially complied with the material terms and conditions of this Agreement and all such other agreements during the Term hereof;

C. All monetary obligations owed to Company or any affiliate thereof have been satisfied prior to renewal;

D. Franchisee executes Company's standard form of franchise agreement being utilized by Company on the date of renewal to grant new B-Bop's Restaurant franchises;

E. Franchisee pays to Company a nonrefundable renewal fee of Five Thousand Dollars (\$5,000) payable in full upon execution of the then current franchise agreement;

F. Franchisee performs such remodeling, repairs and/or redecoration as Company may reasonably require to cause the Franchise Premises and the equipment, fixtures, furniture, signs and other improvements to conform with the specifications being used for new B-Bop's Restaurants being franchised on the date of renewal;

G. Franchisee (and each of its partners, shareholders or members if Franchisee is a partnership, corporation or limited liability company) executes a general release, in form and substance satisfactory to Company, releasing Company and its affiliates and their respective directors, officers, agents and employees from any and all claims;

H. Franchisee furnishes Company with a copy of the lease for the Franchise Premises indicating possession is assured for the renewal term, or if Franchisee is unable to maintain possession of the Franchise Premises or if the parties agree that the Franchise should be relocated, Franchisee secures an alternative site that is approved by Company with the understanding that such site will be developed in accordance with Company's then current standards and specifications. Company shall be entitled to assess a reasonable charge (not to exceed \$2,000) to Franchisee to cover Company's expenses in assisting in relocation

of the Franchise Premises (which charge shall be in addition to the renewal fee specified above); and

I. Franchisee attends and satisfactorily completes any refresher training program that Company may require.

Upon Company's determination that Franchisee has satisfied each of the foregoing conditions, Company shall renew the Franchise granted hereunder. Company's decision regarding renewal of the Franchise shall be communicated to Franchisee in writing no later than one hundred twenty (120) days prior to the expiration of the Term of this Agreement. In the event Franchisee elects to renew the Franchise granted hereunder and Company accepts such renewal, Company agrees to waive payment of the initial franchise fee required under the then current franchise agreement to be executed by Franchisee. Franchisee acknowledges that the royalty and service fee and other continuing fees and payments may differ in type and amount under the then current franchise agreement and that such franchise agreement shall control with respect to all fees and amounts payable to Company (other than the initial franchise fee) and as to all expenditure requirements imposed on Franchisee. Failure by Franchisee to execute and deliver the then current franchise agreement and all required general releases to Company within thirty (30) days of delivery of such documents to Franchisee shall be deemed an election by Franchisee not to renew the Franchise, at which time Company's acceptance of the renewal shall become null and void and Franchisee shall have no further right to operate the Franchise upon expiration of this Agreement.

19. ASSIGNMENT BY FRANCHISEE. Franchisee acknowledges that the rights and duties created pursuant to this Agreement are personal to Franchisee and its owners and that Company has granted the Franchise in reliance upon the character, skill, business ability, financial capacity and attitude of Franchisee and its owners. Therefore, without the prior written approval of Company, neither this Agreement nor the Franchise (or any interest therein), nor any controlling ownership interest in Franchisee, may be directly or indirectly, voluntarily or by operation of law, sold, assigned, conveyed, sublet, subfranchised or otherwise transferred to any person or entity. Any sale, assignment, conveyance, subfranchising or other transfer, including, without limitation, any transfer or issuance of capital stock or partnership or membership interests in Franchisee, any merger or consolidation, any transfer by decree in any divorce proceeding or by will or inheritance upon death of Franchisee or any owner thereof (hereinafter collectively referred to as "transfer") in violation of this Section 19 shall be void and confer no rights upon any third person. Company shall not unreasonably withhold its consent to any transfer when requested, provided that such transfer complies with the following requirements that may be applicable to the particular type of transfer:

A. Transfer to Successor Entity. If Franchisee is an individual and desires to transfer the Franchise to a partnership, corporation or limited liability company, Company will not unreasonably withhold its consent to such transfer upon satisfaction of the following conditions: (i) such entity shall comply with each of the requirements specified in Section 20 hereof pertaining to ownership of the Franchise by a an entity; (ii) Franchisee shall be the owner of a majority of the equity and voting securities or interests issued by such entity; (iii) Franchisee shall be the principal executive of such entity; (iv) all accrued money obligations of Franchisee to Company shall be satisfied prior to the transfer and Franchisee shall otherwise be in full compliance with the terms of this Agreement; and (v) the entity agrees,

in writing satisfactory to Company, to assume all Franchisee's obligations hereunder. Any assignment to an entity as provided herein shall not release Franchisee from any obligations imposed by this Agreement and Franchisee shall remain liable for all such obligations.

B. Death or Disability of Franchisee. In the event of death or permanent mental or physical disability of Franchisee, or any partner, shareholder or member owning a controlling interest in Franchisee, the legal representative of Franchisee, or such partner, shareholder or member thereof, together with all surviving partners, shareholders or members, if any, jointly, shall, within six (6) months of such event apply in writing for the right to transfer the Franchise, or the controlling ownership interest of the deceased or disabled partner, shareholder or member in Franchisee, to such person or persons as the legal representative may specify. Consent to such transfer (including transfers by devise or inheritance) will not unreasonably be withheld by Company, provided that Company may in its discretion require that such transfer comply with one or more of the conditions set forth in Section 19(C) hereof, except that: (i) payment of the transfer fee shall not be required; and (ii) the legal representative need not comply with Company's right of first refusal if the transferee is a member of the immediate family of Franchisee or to a member of the immediate family of the deceased or disabled partner, shareholder or member. If the legal representative and any surviving partners, shareholders or members fail to comply with the provisions of this Section 19(B), or do not propose a transferee acceptable to Company, this Agreement and the Franchise granted hereunder may be terminated in accordance with the provisions of Section 23 hereof. Any transfer of a noncontrolling ownership interest in Franchisee upon the death or disability of a partner, shareholder or member shall be deemed approved by Company upon receipt by Company of written notice of such transfer.

C. Other Transfers. Company will not unreasonably withhold its consent to any transfer not falling within the scope of Sections 19(A) or 19(B) above, provided that Company may in its discretion require that one or more of the following conditions be satisfied prior to, or concurrently with, the effective date of such transfer:

(1) The transferee shall be of good moral character and reputation, have the financial capacity to own and operate the Franchise, have business and professional qualifications reasonably acceptance to Company and otherwise meet Company's then current standards for franchisees. Franchisee shall provide Company with such information as Company may reasonably require to make such a determination regarding the proposed transferee.

(2) The transferee or such individual as will be responsible for management of the Franchise shall have successfully completed the training course then in effect for new franchisees (for which Company shall be entitled to impose a reasonable charge);

(3) The transferee, including such partners or shareholders thereof as Company may direct, shall jointly and severally execute one of the following (as Company may direct):

(a) a written assignment and assumption agreement, in a form satisfactory to Company, whereby the transferee assumes all of Franchisee's obligations under this Agreement; or

(b) the standard form of franchise agreement then being used by Company to grant new franchises; provided, however, that the term of such agreement shall be for the unexpired portion of the Term of this Agreement and that no greater payments than those required by Sections 9(B) and 9(C) of this Agreement shall be required.

(4) Franchisee (and such partners, shareholders or members thereof as Company may direct), or the individual partner, shareholder or members thereof proposing to make such transfer, shall execute a general release of all claims against Company and its affiliates and their respective directors, officers, agents and employees;

(5) Franchisee (and such partners, shareholders or members thereof as Company may direct), or the individual partner, shareholder or member proposing to make the transfer, shall execute a nondisclosure and noncompetition agreement in favor of Company containing the restrictions set forth in Sections 16 and 17 of this Agreement;

(6) Franchisee shall be in full compliance with the terms of this Agreement, shall have fully paid and satisfied all of Franchisee's obligations owing to Company under this Agreement and any other agreement relating to the Franchise, and shall have fully paid a transfer fee of Three Thousand Dollars (\$3,000) to Company for supervisory, administrative, accounting, legal and other expenses incurred by Company in connection with such transfer;

(7) If transferee is a partnership, corporation or limited liability company, such entity shall have complied with each of the requirements specified in Section 20 hereof pertaining to ownership of the Franchise by an entity;

(8) Franchisee, or the partner, shareholder or member proposing to make such transfer, shall have complied with the right of first refusal provisions set forth in Section 19(D) hereof.

(9) Company shall have approved the material terms of the transfer and determined that the price and terms of payment are not so burdensome as to have a material adverse affect on the future operation of the Franchise by the transferee.

(10) Franchisee shall have entered into an agreement with Company agreeing that all obligations of the transferee to Franchisee shall be subordinate to the obligations of transferee to make payments to Company as required under the terms of this Agreement.

Upon compliance with the foregoing conditions and Company's approval of the transfer, Franchisee or any partner, shareholder or member participating in such transfer shall thereupon be relieved of future obligations arising under the terms of this Agreement, except that approval of such transfer shall not constitute a waiver or release of any claims Company may have against Franchisee or any partner, shareholder or member participating in such transfer resulting from events prior to the effective date of such transfer.

D. Right of First Refusal. If Franchisee, or any partner, shareholder or member thereof, shall at any time determine to sell, convey or otherwise transfer the Franchise or any partner's, shareholder's or member's ownership interest in Franchisee which would be subject to the provisions of Section 19(C) hereof, Franchisee or such partner, shareholder or member shall obtain a bona fide, executed written offer from the proposed purchaser and shall submit an exact copy of such offer to Company. Company (or any affiliate of Company designated by Company) shall have the right and option, exercisable by written notice to Franchisee or such partner, shareholder or member thereof within thirty (30) days of the date of receipt by Company of a copy of such offer, to purchase the Franchise or such partner's, shareholder's or member's ownership interest in Franchisee for the price and on the same terms and conditions contained in such offer. Franchisee agrees to submit to Company such information regarding the operation of the Franchise as the Company may reasonably request in order to assist Company in determining whether to exercise its option. In the event Company (or any affiliate thereof) exercises its right of first refusal, closing of the transaction shall occur within one hundred twenty (120) days from the acceptance of such offer, unless otherwise agreed by the parties. If Company does not exercise its right of first refusal, Franchisee or such partner, shareholder or member may complete the transfer to the proposed purchaser pursuant to and in accordance with the terms of such offer, subject to compliance with the provisions of Section 19(C) hereof, which shall include obtaining the prior written consent of Company. If Company elects not to exercise the right of first refusal and the terms of the unaccepted offer are altered in any material nature, Company shall, in each instance, be notified in writing of the revised offer and shall again have thirty (30) days to purchase the Franchise or such partner's, shareholder's or member's interest in Franchisee on the revised terms.

E. Ownership Changes. If Franchisee is a partnership, corporation or limited liability company, Franchisee agrees to notify Company of any change in ownership interests in Franchisee which, when taken alone or together with all previous or simultaneous changes of ownership during the Term hereof, constitutes a change of ten percent (10%) or more of the ownership interests in Franchisee. Any change in ownership interests which, when taken alone or together with all previous or simultaneous changes in ownership during the Term hereof, constitutes a change of fifty percent (50%) or more of the ownership interests in Franchisee shall be considered a transfer subject to the provisions of Section 19(C) and 19(D) hereof.

20. ENTITY FRANCHISEE. In the event Franchisee is a partnership (general or limited), corporation or limited liability company on the effective date of this Agreement, or if the Franchise or any ownership interest in Franchisee is thereafter transferred to a partnership,

corporation or limited liability company in accordance with the provisions of Section 19(A) hereof, such entity shall comply with the following:

(1) The entity shall be newly organized and its activities shall be confined exclusively to the development and operation of B-Bop's Restaurants pursuant to the terms of this Agreement or other franchise agreements with Company;

(2) The governing documents of such entity shall provide that the issuance or transfer of any ownership interests in such entity shall be subject to the restrictions contained in this Agreement;

(3) Any stock certificate or other evidence of ownership issued by such entity, shall have conspicuously endorsed upon it a statement that it is held subject to, and that further assignment or transfer thereof is subject to, all restrictions imposed upon transfer by this Agreement;

(4) Any person who is or becomes the holder of a controlling interest in such entity or who has any responsibility for management of Franchisee, shall at the direction of Company execute a guaranty agreeing to be personally bound by the provisions of this Agreement; and

(5) At the request of Company, such entity shall furnish to Company a certified copy of its governing documents and/or a list of all owners indicating their respective ownership interests in the entity.

21. ASSIGNMENT BY COMPANY. Company shall have the right to assign this Agreement to any person or entity without the consent of Franchisee, provided that the transferee agrees in writing to assume all Company's obligations imposed by this Agreement.

22. TERMINATION BY FRANCHISEE. Franchisee may terminate this Agreement only if Franchisee is in full compliance with the terms of this Agreement (including payment of all amounts owing to Company hereunder or for equipment, supplies, etc.) and Company has committed a breach of any material provision of this Agreement, and has failed to cure such breach within ninety (90) days after Franchisee, by written notice, has informed Company of such breach, provided, however, in the event of a breach which cannot be cured with due diligence within a period of ninety (90) days, Company shall have such additional time to cure such breach as may reasonably be necessary, provided that Company proceeds promptly and with due diligence to cure such breach after receipt of written notice. Any attempt by Franchisee to terminate or abandon this Agreement other than in accordance with the provisions of this Section 22 shall be deemed a termination by Franchisee without cause and a breach of this Agreement by Franchisee.

23. TERMINATION BY COMPANY. Company shall be entitled to terminate this Agreement under the following conditions:

A. Without Advance Notice and Cure. Company may terminate this Agreement without giving advance notice and without providing an opportunity to cure upon the

occurrence of any of the following events:

(1) Any assignment made for the benefit of Franchisee's creditors, any appointment of a receiver, trustee or similar officer for Franchisee or its assets, the commencement of bankruptcy or other insolvency proceedings by or against Franchisee, or if Franchisee is a partnership, corporation or limited liability company, any of the foregoing occur with respect to any partner, shareholder or member of Franchisee who owns a controlling interest in Franchisee or who has any responsibility for management of Franchisee;

(2) Conviction or a plea of guilty or no contest by Franchisee or any partner, shareholder or member thereof to any felony or to any crime relating to operation of the Franchise;

(3) Any purported assignment or transfer of this Agreement, the Franchise or an ownership interest in Franchisee other than in accordance with the provisions of Section 19 hereof;

(4) Franchisee uses the Licensed Marks for any unauthorized purpose (or otherwise materially impairs the goodwill associated therewith) or makes any unauthorized disclosure or use of any confidential information provided by Company;

(5) Material breach by Franchisee of any mortgage, deed, lease or other governing document covering the Franchise Premises resulting in loss of the right to occupy the Franchise Premises;

(6) Franchisee fails on three (3) or more separate occasions within any twelve (12) consecutive month period to pay when due any fee or amount required under this Agreement or to otherwise comply with the terms of this Agreement, regardless of whether such events of noncompliance are cured after notice from Company;

(7) Submission of a materially false financial report to Company, or an intentional misrepresentation by Franchisee to Company in connection with obtaining this Agreement or in operating the Franchise; or

(8) Voluntary abandonment of the Franchise, including acts or omissions indicating a willingness, desire or intent to discontinue operating such business, or an obvious disregard for the operation of such business in accordance with the quality standards and uniform requirements set forth in this Agreement and in the Operations Manual. An abandonment of the Franchise shall include, but not be limited to, the failure to open the Franchise for business on five (5) consecutive days without the prior written consent of Company.

B. With Advance Notice and Cure. Company may terminate this Agreement

after giving Franchisee written notice specifying any of the following events of default if such default has not been cured to the satisfaction of Company within the period specified below:

(1) Franchisee fails to pay when due any fee or other payment required to be made to Company or its affiliates under the provisions of this Agreement or under the provisions of any other agreement between the parties relating to the Franchise, and such default is not cured within ten (10) days of the date on which notice is given by Company; or

(2) Franchisee fails to perform or observe any covenant or obligation imposed by this Agreement to be observed or performed by Franchisee, and such default is not cured within thirty (30) days of the date on which notice is given by Company.

24. LOSS OF PREMISES - TERMINATION OR RELOCATION. Upon termination of the lease for the Franchise Premises (in the absence of a default thereunder by Franchisee), upon the taking by eminent domain of all or a material part of the Franchise Premises or upon failure to repair and reopen the Franchise Premises for business within six (6) months after the Franchise Premises has been damaged or destroyed by fire or other casualty, this Agreement and the Franchise granted hereunder shall automatically terminate; provided, however, that Company and Franchisee may agree on a new location reasonably suited for the Franchise, provided that such new location is constructed, equipped and fully operational within six (6) months of discontinuing operations on the Franchise Premises, all in accordance with the then current standards of Company at the time of relocation. If Company and Franchisee agree upon a new location for the Franchise, this Agreement will be amended to reflect the new location and will remain in effect for the remainder of the Term. Upon agreeing on a new location, Franchisee agrees to pay Company a relocation fee of One Thousand Dollars (\$1,000) for its assistance in approving the new location.

25. EVENTS UPON TERMINATION OR EXPIRATION. Upon termination of this Agreement, or upon expiration of the Term of this Agreement without renewal, Franchisee agrees as follows:

A. Franchisee shall no longer be entitled to operate a B-Bop's Restaurant on the Franchise Premises or at any other location, nor in any other manner at any location whatsoever utilize all or any portion of the Licensed System (including, but not limited to, the proprietary recipes) or any of the Licensed Marks, provided that termination or expiration of this Agreement shall not affect the right of Franchisee to operate any other B-Bop's Restaurant in accordance with the terms of a franchise agreement between the parties;

B. Franchisee shall cease to hold itself out to the public as being a B-Bop's Restaurant and shall avoid any other conduct which would suggest or indicate any relationship between Company and Franchisee, except to the extent permitted by paragraph A above;

C. Franchisee shall pay Company or its affiliates on demand all fees and

amounts then owing to Company or its affiliates under the terms of this Agreement and any other amounts owing to Company or its affiliates under any other agreement relating to the Franchise;

D. Franchisee shall immediately discontinue all use and display of the Licensed Marks and shall remove from the Franchise Premises any and all signs, emblems, fixtures, furniture, supplies, promotional materials, stationery, printed forms or other materials which display any of the Licensed Marks or feature any of the distinguishing characteristics of the Licensed System;

E. Franchisee shall, at its sole expense, immediately make such modifications to the exterior and interior of the Franchise Premises as Company shall reasonably request to effectively distinguish the Franchise Premises from its former appearance and from the appearance of any other B-Bop's Restaurant, including, without limitation, discontinuing use of the unique blue color scheme which is a distinguishing characteristic of the Licensed System. If Franchisee shall fail to make such modifications in a reasonable period of time, Company or its agents may enter the Franchise Premises, without liability for trespass or other tort or for damages to property of Franchisee, and make such modifications at Franchisee's expense and Franchisee shall reimburse Company on demand for any reasonable expenses incurred in effecting such modifications in accordance with the provisions of Section 26(B) hereof;

F. Franchisee shall immediately return to Company all confidential information provided to Franchisee during the Term hereof (including, but not limited to, the Operations Manual) and immediately cease any and all further use of such information for any purpose whatsoever;

G. Franchisee shall utilize the Franchise Premises only in a manner consistent with the covenant not to compete contained in Section 17 hereof and otherwise observe the provisions of such Section;

H. Franchisee shall assign to Company (or its designee) all telephone numbers issued for the Franchise and any telephone directory listings or yellow page display advertisements associated therewith and shall authorize the telephone company to transfer such numbers, listings and advertisements to Company (or its designee); and

I. Termination or expiration of this Agreement shall not release or relieve Franchisee of any obligations hereunder, nor shall such termination or expiration constitute a waiver by Company of any claim against Franchisee with respect to the Franchise or this Agreement. Company shall be entitled to all rights and remedies available at law or in equity with respect to any claim against Franchisee. All obligations of Franchisee which expressly or by their nature survive the termination or expiration of this Agreement shall continue in full force and effect subsequent to and notwithstanding termination or expiration hereof.

26. REMEDIES. In addition to the right to terminate this Agreement, Company shall be

entitled to exercise the following remedies:

A. Injunctive Relief. Franchisee agrees that in the event of an anticipatory, threatened or actual breach of any of the covenants, agreements, terms or conditions of this Agreement by Franchisee, Company, in addition to any other remedy available hereunder or by law, shall be entitled forthwith to apply for and receive from any court of competent jurisdiction equitable relief by way of restraining order, injunction or otherwise, to prevent a breach of the terms of this Agreement, or by way of specific performance to enforce performance of the terms of this Agreement, plus reimbursement for costs, including attorneys' fees, incurred in the securing of such relief.

B. Nonperformance by Franchisee. If Franchisee fails to perform any covenant or obligation required to be performed by Franchisee under this Agreement, Company shall be entitled, but shall not be required, to perform the same on behalf of and at the expense of Franchisee, upon giving reasonable prior notice to Franchisee of its intention to do so. If Company at any time is compelled to pay, or elects to pay, any sum of money by reason of the failure of Franchisee to comply with any provisions of this Agreement, the amounts so paid by Company shall be due from Franchisee to Company on demand, together with interest at the rate of one and one-half percent (1-1/2%) per month, or the maximum allowed by the law of the state in which the Franchise is located, whichever is less, from the respective date of each such payment until repayment in full.

C. Costs and Attorney's Fees. If Company or any affiliate thereof is required to institute any legal or arbitration proceeding to collect any amounts owing from Franchisee or to enforce the terms of this Agreement and if Company or such affiliate prevails in such proceeding, Company or such affiliate shall be entitled to reimbursement from Franchisee of its costs and expenses incurred in connection therewith, including attorneys' or accountants' fees, court costs and costs of investigation.

27. ARBITRATION. Except for controversies, disputes or claims related to or based on the Licensed Marks or any confidential information or trade secrets of Company, all controversies, disputes or claims between Franchisee and Company, its affiliates and their respective directors, officers, shareholders, agents and employees arising out of or related to (i) this Agreement or any other agreement between the parties; (ii) the relationship of the parties hereto; (iii) the validity of this Agreement or any other agreement between the parties; or (iv) any operating policy or procedure of the Licensed System shall, on demand of either party, be submitted to arbitration in accordance with the current commercial arbitration rules of the American Arbitration Association. Any arbitration proceeding shall be conducted in Des Moines, Iowa and shall be heard by one arbitrator, the identity of whom shall be agreed upon in advance by the parties. In the event the parties are unable to agree upon a single arbitrator, each party shall select one arbitrator and the two arbitrators so selected shall in turn select a third arbitrator and the arbitration proceeding shall be heard before the three-person panel.

The arbitrator(s) shall have the right to award or include in the award any relief deemed appropriate under the circumstances, including, without limitation, money damages (with interest on unpaid amounts from the due date), specific performance, injunctive relief and attorneys fees and

costs in accordance with Section 26(C) of this Agreement, provided that the arbitrator(s) shall not award exemplary or punitive damages. The award and decision of the arbitrator(s) shall be conclusive and binding upon all parties hereto and judgment upon the award may be entered in any court of competent jurisdiction. Each party waives any right to contest the validity and enforceability of such award. The parties agree to be bound by the provisions of any limitation on the period of time by which claims must be brought under applicable law or this Agreement. The parties further agree that, in connection with any such arbitration proceeding, each shall file any compulsory counterclaim (as defined under the Federal Rules of Civil Procedure) within thirty (30) days after the date of the filing of the claim to which it relates. This Section 27 shall continue in full force and effect subsequent to and notwithstanding the expiration or termination of this Agreement.

28. RELATIONSHIP. Company and Franchisee shall not be considered as joint venturers, partners, agents or legal representatives of the other. Franchisee is, and shall remain at all times, an independent contractor. Neither Company nor Franchisee shall have the power or authority to bind or obligate the other, nor does Company have any interest in the business of Franchisee, except to the extent set forth in this Agreement. In all dealings with customers, suppliers, public officials and others, Franchisee shall identify itself as the owner of the Franchise under license from Company. At the direction of Company, Franchisee shall conspicuously post on the Franchise Premises a notice (to be provided by Company) indicating that Franchisee is a franchised business owned and operated independently of Company. Franchisee shall not use the "B-Bop's" mark in executing any contract, lease, check or other agreement and shall avoid using the Licensed Marks in any manner that could lead to liability of Company for any debt or other obligation of Franchisee. The parties acknowledge and agree that this Agreement does not create a fiduciary relationship between Company and Franchisee.

29. VARIANCES. Complete and detailed uniformity under varying conditions may not always be possible or practical, and Company reserves the right and privilege, in Company's sole discretion, in any specific instance to vary standards for any other franchisee based upon the peculiarities of a particular site, density of population, business potential, population of trade area, existing business practices or any other condition which Company deems in its sole discretion to be of importance to the operation of such franchisee's business. Franchisee shall not be entitled to require Company to grant to Franchisee a like or other variation hereunder on account of any variation from the specifications and practices granted to any other franchisee.

30. NOTICES. All notices, offers, requests and other communications from either of the parties hereto to the other shall be in writing and shall be considered to have been duly given or served if sent by overnight courier or by first class mail, postage prepaid, to the party at its address set forth below, or to such other address as such party may hereafter designate by written notice to the other party:

A. If to Company, to B-Bop's Franchising Corp., 2900 100<sup>th</sup> St., Suite 302, Urbandale, Iowa 50322; Attention: Robert D. Johnson.

B. If to Franchisee, to the address set forth on the signature page hereof.

31. PRICING. Company may from time to time provide Franchisee with suggested retail prices for food and beverage items to be sold at the Franchise. Company and Franchisee agree that any list or schedule of prices furnished to Franchisee by Company is a recommendation only and is not to be construed as mandatory upon Franchisee. Franchisee further acknowledges that the providing of suggested retail prices by Company shall not be deemed a representation that such prices will optimize profits of the Franchise.

32. WAIVERS. Either party may by written notice to the other, unilaterally waive or reduce any obligation of or restriction upon the other party imposed by this Agreement, effective upon delivery of such written notice to such other party. Company makes no warranties upon which Franchisee may rely, and assumes no liability or obligation to Franchisee, by granting any waiver or by reason of any delay in acting on any request for a waiver. Any waiver granted by Company shall be without prejudice to any of the rights Company may have, will be subject to continuing review by Company, and may be revoked, in Company's sole discretion, at any time and for any reason upon delivery of written notice to Franchisee. Company and Franchisee shall not be deemed to have waived or impaired any right, power or option reserved by this Agreement by virtue of any custom or practice of the parties at variance with the terms hereof; by any failure, refusal or neglect of Company or Franchisee to exercise any right under this Agreement or to insist upon exact compliance by the other with its obligations hereunder; by any waiver, forbearance, delay, failure or omission by Company to exercise any right, power or option, whether of the same or of a different nature, with respect to any other franchisee; or through the acceptance by Company of any payments due from Franchisee after any breach of this Agreement.

Neither Company nor Franchisee shall be liable for loss or damage or deemed to be in breach of this Agreement if its failure to perform its obligations results from: (a) compliance with any law, ruling, order, regulation, requirement or instruction of any federal, state or municipal government or any department or agency thereof; (b) shortages of any equipment, materials or supplies necessary for construction or operation of the Franchise; (c) acts of God; (d) acts or omissions of the other party hereto; (e) strikes, embargoes or riots; or (f) any other similar event or cause. Any delay resulting from any of said causes shall extend performance accordingly or excuse performance, in whole or in part, as may be reasonable under the circumstances. The inability of Franchisee to obtain financing for construction or operation of the Franchise shall not be considered grounds for excuse of performance hereunder.

33. APPROVAL OF COMPANY. Where the consent or approval of Company is required in any Section of this Agreement, Company agrees that such consent or approval shall not unreasonably be withheld.

34. INVALIDITY. If any term or provision of this Agreement, or any part of any term or provision hereof, shall be adjudicated to be void or invalid, then the remaining terms and provisions hereof not specifically so adjudicated to be invalid shall be executed without reference to the term or provision or part thereof so adjudicated, insofar as such remaining terms and provisions are capable of execution. If any applicable and binding law or regulation of any jurisdiction requires a greater prior notice of the termination of or refusal to renew this Agreement than is required hereunder, or the taking of some other action not required hereunder, or if under any applicable and binding law or regulation of any jurisdiction, any provision of this Agreement or any specification, standard or

operating procedure prescribed by Company is invalid or unenforceable, the prior notice and/or other action required by such law or regulation shall be substituted for the comparable provisions hereof, and Company shall have the right to modify such invalid or unenforceable provision, specification, standard or operating procedure to the extent required to be valid and enforceable. Franchisee agrees to be bound by any such modification to this Agreement. Any modification to this Agreement pursuant to this Section 33 shall be effective only in the effected jurisdiction, and this Agreement shall be enforced as originally made and entered into in all other jurisdictions.

35. GOVERNING LAW. This Agreement shall be deemed made when accepted by Company in Des Moines, Iowa, and, except where federal law or the laws of the jurisdiction in which the Franchise Premises is located apply, this Agreement shall be subject to and governed by the laws of the State of Iowa, except that the parties acknowledge and agree that the provisions of Chapter 523H of the Iowa Code shall not apply to any Franchise not located in the State of Iowa.

36. REPRESENTATIONS. It is specifically recognized and acknowledged by Franchisee that the success of the business venture to be undertaken by Franchisee by virtue of this Agreement depends to a substantial extent upon the ability of Franchisee as an independent entrepreneur as well as market conditions beyond the control of either Company or Franchisee. Franchisee acknowledges that Franchisee has entered into this Agreement after making independent investigation of Company's operations and programs and not in reliance upon any representation by Company as to revenues, profits or success which Franchisee may realize. Franchisee acknowledges that there have been no oral, written or visual representations or warranties of any kind made by Company or any representative thereof or any other person on its behalf with respect to revenues, profits or the potential success of Franchisee's business. Franchisee represents and warrants that all statements and information furnished to Company by Franchisee in connection with Franchisee's application to become an authorized franchisee of Company are true and correct. Franchisee acknowledges that Company has relied on said statements and information in making its determination of Franchisee's qualifications to become an authorized franchisee.

37. ACKNOWLEDGMENTS. Franchisee represents and warrants to Company as follows:

A. Franchisee has received a copy of this Agreement, and all attachments hereto, if any, and all other agreements relating to the Franchise, if any, at least five (5) business days prior to the date on which this Agreement was executed by Franchisee.

B. Franchisee acknowledges that Franchisee has received the Uniform Franchise Offering Circular provided by Company at least ten (10) business days prior to the date on which this Agreement was executed.

C. Franchisee acknowledges that it has read and understood this Agreement, the attachments hereto, if any, all other agreements relating to the Franchise, if any, and the Uniform Franchise Offering Circular provided by Company, and that the Franchisee has had ample time and opportunity to consult with advisors of its own choosing about the potential benefits and risks of entering into this Agreement.

38. COUNTERPARTS. This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original, but all of which together shall constitute one and the same instrument.

39. ENTIRE AGREEMENT. This Agreement, the Personal Guaranty and any exhibits or addendums attached hereto and incorporated herein by this reference constitute the entire, full and complete agreement between Company and Franchisee concerning the subject matter hereof, and supersedes all prior or contemporaneous oral or written agreements. There are no representations, inducements, promises or agreements, oral or otherwise, between the parties not embodied herein, which are of any force or effect with reference to this Agreement or otherwise.

40. AMENDMENTS. No amendment, change or variance from this Agreement shall be binding on either party unless in writing and executed by the party against whom enforcement of such amendment, change or variance is sought.

41. HEADINGS. The headings of the Sections of this Agreement are for convenience of reference only and do not form a part hereof and in no way interpret or construe the contents of such Sections.

42. PARTIES. The terms "Company" and "Franchisee" and any pronoun referring thereto, shall be deemed to include the parties hereto and their respective heirs, executors, administrators, successors and assigns, without regard to gender or number. If there is more than one Franchisee, they shall be bound jointly and severally. Any reference to the term "Franchisee" which is applicable to an individual or individuals shall mean the owner or owners of the equity or operating control of Franchisee if Franchisee is a partnership, corporation or limited liability company. Except to the extent otherwise expressly set forth herein, nothing in this Agreement is intended, or shall be construed, to confer any rights or remedies upon any person or entity not a party hereto.

43. EFFECTIVE DATE. This Agreement shall be effective as of the date of execution by Company.

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

IN WITNESS WHEREOF, the parties hereto have executed this Agreement in duplicate as of the day and year set forth below.

FRANCHISEE

B-BOP'S FRANCHISING CORP.

\_\_\_\_\_  
(Print Name of Franchisee)

By: \_\_\_\_\_  
Title: \_\_\_\_\_

\_\_\_\_\_  
Signature (In an Individual)

Dated: \_\_\_\_\_

Dated: \_\_\_\_\_

NOTE: YOU, THE FRANCHISEE, MAY CANCEL THIS TRANSACTION AT ANY TIME PRIOR TO MID-NIGHT OF THE THIRD BUSINESS DAY AFTER THE DATE OF THIS TRANSACTION. SEE THE ATTACHED NOTICE OF CANCELLATION FORM FOR AN EXPLANATION OF THIS RIGHT.

By: \_\_\_\_\_  
Signature (If an Entity)

Title: \_\_\_\_\_

FRANCHISEE ADDRESS

\_\_\_\_\_  
\_\_\_\_\_

#14902599

**PERSONAL GUARANTY**

1. The undersigned persons hereby represent to B-BOP'S FRANCHISING CORP. ("Company") that they are partners, shareholders or members of the franchisee ("Franchisee") entering into the within and foregoing Franchise Agreement (the "Agreement"), of which this Personal Guaranty shall be deemed an integral part.

2. In consideration of the Franchise granted to Franchisee hereunder and in order to induce Company to grant such Franchise to Franchisee, each of the undersigned hereby agrees, jointly, individually and severally, for themselves, their heirs, legal representatives and assigns as follows: (a) that they, and each of them, shall be personally bound by and agree to perform all of the terms, provisions and conditions of this Agreement; (b) that they, and each of them, do hereby personally and unconditionally guarantee full and prompt payment to Company or its affiliates of any indebtedness of Franchisee arising under or by virtue of this Agreement or any other agreement between the parties relating to the Franchise granted under this Agreement; (c) that they, and each of them, will not sell, assign or otherwise permit or cause a transfer of the Franchise or any ownership interest in Franchisee without complying with the requirements of this Agreement; (d) that they, and each of them, shall be personally bound by the nondisclosure and noncompete covenants set forth in this Agreement; and (e) that they, and each of them, shall be personally liable for the breach of any provision of this Agreement, including both monetary obligations and any obligation to take or refrain from taking specific actions or activities.

3. Each of the undersigned further agree as follows: (a) that this Guaranty shall be continuing and irrevocable; (b) that they, and each of them, shall render any payment or performance required under this Agreement upon demand if Franchisee fails or refuses promptly to do so; (c) such liability shall be primary and shall not be contingent upon Company pursuing or exhausting any remedies against Franchisee; (d) such liability shall not be waived, diminished or otherwise affected by any extension of time, credit or other indulgence which Company may from time to time grant to Franchisee; and (e) that they, and each of them, hereby waive notice of acceptance, demand, protest, nonperformance and of any other notices.

**PERSONAL GUARANTORS**

|                    |               |                            |
|--------------------|---------------|----------------------------|
| _____<br>Signature | _____<br>Date | _____<br>Percent Ownership |
| _____<br>Signature | _____<br>Date | _____<br>Percent Ownership |
| _____<br>Signature | _____<br>Date | _____<br>Percent Ownership |

NOTE: This Guaranty must be executed by such partners, shareholders or members of Franchisee as Company may direct.

ADDENDUM TO FRANCHISE AGREEMENT  
FOR STATE OF MINNESOTA

Company and Franchisee hereby agree that the foregoing Franchise Agreement (the "Agreement") shall be amended as set forth below:

1. The second unnumbered paragraph of Section 13 of the Agreement is hereby amended by addition of the following provision:

Company hereby agrees to indemnify and hold Franchisee harmless from and against any and all liabilities, damages, losses, costs or expenses arising out of any claim, suit or demand asserted by any third party concerning the use of the Licensed Marks by Franchisee, provided that Franchisee's use of the Licensed Marks has complied with the material terms and conditions of this Agreement.

2. Sections 18 and 23 of the Agreement are hereby amended by addition of the following provision as a new unnumbered paragraph:

With respect to Franchises governed by Minnesota law, Company will comply with Minnesota Statutes Section 80C.14, subdivisions 3, 4 and 5 which require, except in certain specified cases, that Franchisee be given ninety (90) days notice of termination (with sixty (60) days to cure) and one hundred eighty (180) days notice for non-renewal of this Agreement.

3. Section 18(G) of the Agreement is hereby deleted in its entirety and replaced by the following provision:

G. Franchisee (and each of its partners, shareholders or members if Franchisee is a partnership, corporation or limited liability company) executes a general release, in form and substance satisfactory to Company, releasing Company and its affiliates and their respective directors, officers, agents and employees from any and all claims, (except that such release shall not apply to any claims arising under Minnesota Statutes Chapter 80C);

4. Section 19(C)(4) of the Agreement is hereby deleted in its entirety and replaced by the following provision:

(4) Franchisee (and such partners, shareholders or members thereof as Company may direct) or the individual partner, shareholder or member thereof proposing to make such transfer, shall execute a general release of all claims against Company and its affiliates and their respective directors, officers, agents and employees (except to the extent that such a release is prohibited by Minnesota Statutes Chapter 80C);

5. Section 26(A) of this Agreement is hereby amended to read as follows:

A. Injunctive Relief. In the event of an event of an anticipatory, threatened or actual breach of any of the covenants, agreements, terms or conditions of this Agreement by Franchisee, Company, in addition to any other remedy available hereunder or by law, shall be entitled forthwith to apply for from any court of competent jurisdiction, equitable relief by way of restraining order, injunction or otherwise, to prevent a breach of the terms of this Agreement, or by way of specific performance to enforce performance of the terms of this Agreement, plus reimbursement for costs, including attorneys' fees, incurred in the securing of such relief.

6. Section 35 of the Agreement is hereby amended by addition of the following provision:

Pursuant to Minnesota Statutes Section 80C.21 and Minnesota Rule Part 2860.4400J, this Section shall not in any way abrogate or reduce any rights of Franchisee as provided for in Minnesota Statutes, Chapter 80C.

7. The Agreement is hereby amended by addition of the following provision as a new Section 44 immediately following the end of Section 43:

44. ADDITIONAL ACKNOWLEDGMENT. 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.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the parties to the Agreement have executed this Addendum as of the date set forth below.

FRANCHISEE

B-BOP'S FRANCHISING CORP.

\_\_\_\_\_  
(Print name of Franchisee)

By \_\_\_\_\_

Title: \_\_\_\_\_

\_\_\_\_\_  
Signature (If an Individual)

Dated: \_\_\_\_\_

Dated: \_\_\_\_\_

By \_\_\_\_\_

Signature (If an Entity)

Title: \_\_\_\_\_

Dated: \_\_\_\_\_

[SIGNATURE PAGE TO ADDENDUM TO FRANCHISE AGREEMENT  
FOR THE STATE OF MINNESOTA]

**EXHIBIT D**

**MULTIPLE-UNIT DEVELOPMENT AGREEMENT**

## MULTIPLE - UNIT DEVELOPMENT AGREEMENT

This MULTIPLE-UNIT DEVELOPMENT AGREEMENT (the "Agreement") made and entered into as of the date set forth below, by and between B-Bop's Franchising Corp., an Iowa corporation ("Company"), and \_\_\_\_\_ ("Developer").

### RECITALS:

WHEREAS, Company is engaged in the business of licensing the operation by others of double drive- through fast food restaurants known as "B-Bop's", which sell, among other items, hamburgers, french fries and beverages (hereinafter referred to as a "B-Bop's Restaurant") and

WHEREAS, Company offers a distinctive system for establishing, operating and promoting a B-Bop's Restaurant, which system includes, but is not limited to, a unique and readily recognizable design, color scheme, decor, layout and signage for the business premises, equipment selection and installation, accounting methods, advertising and promotional techniques, personnel training and a confidential manual of operating procedures containing specially designed methods for operation of a B-Bop's Restaurant (hereinafter collectively referred to as the "Licensed System"); and

WHEREAS, each B-Bop's Restaurant is operated in connection with and through the use of the "B-Bop's" name and through the use of certain related logos (hereinafter collectively referred to as the "Licensed Marks"); and

WHEREAS, Developer desires to obtain certain rights to develop B-Bop's Restaurants at locations in the geographic area described in Appendix I attached hereto (such area to be hereinafter referred to as the "Trade Area"); and

WHEREAS, Company and Developer have mutually agreed upon the time schedule set forth in Appendix II attached hereto for the development of B-Bop's Restaurants in the Trade Area (such schedule to be hereinafter referred to as the "Development Schedule"); and

WHEREAS, the terms and conditions contained in this Agreement have been negotiated in reliance upon the unique financial and management ability of Developer to establish a multiple-unit franchise system.

NOW, THEREFORE, in consideration of the foregoing recitals and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. GRANT AND ACCEPTANCE OF DEVELOPMENT RIGHTS. Company hereby grants to Developer, subject to the terms and conditions of this Agreement, the exclusive right to develop B-Bop's Restaurants in the Trade Area in compliance with the Development Schedule. Developer hereby agrees to develop, construct and open for business B-Bop's

Restaurants within the Trade Area in accordance with the Development Schedule and with the terms and conditions of this Agreement. Developer further agrees to develop, own, operate, maintain and promote each B-Bop's Restaurant (hereinafter referred to as a "Unit") in accordance with the terms and conditions contained in the standard form of franchise agreement being utilized by Company to grant B-Bop's Restaurant franchises at the time of development of each such Unit (hereinafter referred to as a "Unit Franchise Agreement"), to be executed by Developer as specified in Section 6 hereof. Company agrees that it shall not establish, or license any third party to establish, a B-Bop's Restaurant in the Trade Area prior to the termination or expiration of this Agreement.

2. TERM. The term of this Agreement and of the development rights granted hereunder shall commence upon the effective date of this Agreement and shall continue until the date specified in Appendix II attached hereto, unless terminated earlier in accordance with Section 11 hereof. Termination or expiration of this Agreement shall constitute a termination or expiration of the development rights granted hereunder. This Agreement and the development rights may be renewed upon such terms and conditions as Company and Developer may mutually agree upon expiration of the term hereof.

3. DEVELOPMENT FEE. In consideration of the development rights granted by Company hereunder, Developer agrees to pay Company by certified or cashier's check the development fee specified in Appendix III attached hereto upon execution of this Agreement. Such fee shall be deemed fully earned upon execution of this Agreement and shall not be refundable to Developer under any circumstances. Any deposit paid by Developer prior to execution of this Agreement shall be applied toward satisfaction of the development fee. A portion of such development fee, to be specified in Appendix III attached hereto, shall be applied by Company toward the initial franchise fee payable under the Unit Franchise Agreement executed for each Unit developed by Developer pursuant to this Agreement. Company and Developer acknowledge and agree that the payment terms imposed by this Agreement with respect to the development fee and the initial franchise fee payable for Units developed pursuant hereto are in lieu of and supersede the terms of any Unit Franchise Agreement relating to the amount and time of payment of the initial franchise fee.

4. TIMELY PERFORMANCE. The development rights provided hereunder have been granted by Company in reliance upon Developer's representations and assurances, among others, that the conditions set forth in this Agreement will be satisfied on a timely basis. Where Developer has exhibited due diligence in complying with the terms and conditions of this Agreement and the Development Schedule, Company may, in its sole discretion, grant an extension of the time requirements imposed by the Development Schedule. No such extension shall be valid unless in writing and executed by an officer of Company. Company and Developer acknowledge and agree that the Development Schedule imposed herein is in lieu of and supersedes the terms of any Unit Franchise Agreement with respect to the allowable time period for construction and opening of any Unit established pursuant to this Agreement.

5. SITE SELECTION. Developer acknowledges that Developer shall be responsible to select and secure a site acceptable to Company for the location of each Unit to be developed

pursuant to this Agreement. Developer agrees to submit a written report to Company of each proposed site for a Unit in the Trade Area, containing such information or material as Company may reasonably request. Company shall review the submitted materials, conduct such other investigation of the proposed site it determines may be necessary to properly evaluate the same and, in its sole discretion, either approve or reject such site by written notice to Developer within thirty (30) days after receipt of such materials, but such approval is not to be unreasonably withheld. If the proposed site is approved, the Company will also advise you, within the same thirty (30) day period, whether or not you will be required to include indoor seating in the construction and operation of the B-Bop's Restaurant. Developer agrees that Developer will not enter into any binding agreement with respect to lease or purchase of a proposed site prior to receiving Company's written approval of such site. Developer acknowledges and agrees that approval of a proposed site by Company does not constitute a representation or warranty by Company that such site, with or without indoor seating, will prove to be a successful location for the Unit, and Developer assumes all risks associated with establishing the Unit at such location.

6. EXECUTION OF UNIT FRANCHISE AGREEMENT. Upon approval of a proposed site, Company shall grant Developer the right and license to own and operate a B-Bop's Restaurant at such site, provided that Developer is in compliance with the terms of this Agreement and the terms of all Unit Franchise Agreements between the parties. Subject to the foregoing, Company shall forward to Developer a Unit Franchise Agreement to be executed with respect to the approved site. The Unit Franchise Agreement shall be the standard form of franchise agreement being utilized by Company to grant franchises at the time of development of each Unit. Developer shall execute the Unit Franchise Agreement in accordance with Company's instructions within twenty (20) days of receipt thereof and return it, together with the initial franchise fee payable for the Unit (as specified in Appendix III), to Company. In the event Developer fails to return the Unit Franchise Agreement and the initial franchise fee to Company within such twenty (20) day period, Company's approval of the site shall be null and void and Developer shall have no rights with respect to such site. The parties hereby acknowledge and agree that the terms and conditions of the Unit Franchise Agreement executed for the Unit developed pursuant to this Agreement shall govern and control the franchise relationship for each such Unit, except to the extent that such terms and conditions conflict with the provisions of this Agreement, in which event the provisions of this Agreement shall control. The parties further acknowledge and agree that the terms and conditions of each Unit Franchise Agreement executed pursuant to this Agreement shall remain in full force and effect notwithstanding the expiration and termination of this Agreement.

7. PROCUREMENT OF SITE AND CONSTRUCTION OF UNIT. Upon receipt of Company's approval of a proposed site, Developer shall immediately take the necessary steps to acquire the site (by purchase, lease or sublease) and obtain the rights to construct and operate a Unit on the site. As soon as practicable after procuring the site, Developer agrees to commence construction of the Unit in accordance with the terms of the Unit Franchise Agreement executed for such Unit, provided, however, that the Development Schedule imposed herein shall be in lieu of the terms of such Unit Franchise Agreement governing the time periods for construction and opening of the Unit.

8. FINANCIAL INFORMATION. The parties acknowledge that the financial position of Developer is crucial to the timely performance of Developer's obligations hereunder and that Company has a legitimate interest in being informed from time to time regarding Developer's financial plans and status. Accordingly, Company shall be entitled from time to time to request that Developer: (a) submit its financial statements to Company for review; and (b) disclose to Company its proposals for financing development of the Units. The foregoing disclosure obligation is imposed solely for purposes of informing Company of Developer's proposals and progress in financing development of the Units, and shall not be construed as creating any joint venture, partnership, agency or other relationship between the parties with respect to Developer's financing activities.

9. LIMITATIONS OF AGREEMENT. Developer hereby acknowledges and agrees as follows:

A. This Agreement grants to Developer only the right to select sites for the construction of Units in the Trade Area and to submit such proposed sites to Company for its approval in accordance with the terms hereof. This Agreement does not grant a license to Developer of any rights to use the Licensed System, the Licensed Marks or to open or operate any Unit within the Trade Area. Developer shall obtain such rights with respect to a given Unit only upon the execution of a Unit Franchise Agreement for such Unit. Developer shall not use the Licensed Marks in connection with any business or activity apart from operation of one or more Units pursuant to Unit Franchise Agreements entered into between Developer and Company.

B. Developer shall have no right under this Agreement to sub-franchise the development rights for any Unit or in any other manner license others to utilize the Licensed System or the Licensed Marks at locations inside or outside of the Trade Area.

C. Complete and detailed uniformity under varying conditions may not always be possible or practical, and Company reserves the right and privilege, in Company's sole discretion, in any specific instance, to vary standards for any other franchisee or developer based upon the peculiarities of a particular site or location, density of population, business or any other condition which Company deems to be of importance to the operation of such other franchisee's or developer's business. Developer shall not be entitled to require Company to grant to Developer a like or other variation hereunder on account of any variation from standard specifications and practices granted to any other franchisee or developer.

10. CONFIDENTIAL INFORMATION. Developer hereby acknowledges that Company will provide highly confidential and proprietary information to Developer in connection with development of the Units, and that Developer will not acquire any rights or interest in such information apart from use thereof in accordance with the terms of this Agreement and any Unit Franchise Agreement entered into between the parties. Developer agrees that such confidential information is provided to Developer solely on the condition that Developer agrees that Developer: (a) will not use the confidential information in any other

business or activity; (b) will comply with the noncompete provisions hereof to protect Company's interests in the confidential information; (c) will maintain absolute confidentiality with respect to such information during and after the term of this Agreement and will not, directly or indirectly, divulge, disclose or otherwise communicate to any person or entity any of such information; (d) will not make, use or retain copies of any portion of such confidential information that may appear in writing; and (e) will adopt and implement all reasonable procedures prescribed by Company from time to time to prevent unauthorized use or disclosure of such information.

## 11. DEFAULT AND TERMINATION.

A. The occurrence of any of the following events shall constitute a default under this Agreement:

(1) Developer uses the Licensed System or the Licensed Marks at any location except pursuant to, and in accordance with, a valid and effective Unit Franchise Agreement between the parties covering such location;

(2) Developer (or any partner, shareholder or member if Developer is a partnership, corporation or limited liability company) is convicted of or pleads guilty to any felony or to any crime relating to operation of any Unit;

(3) Any assignment made for the benefit of Developer's creditors, any appointment of a receiver, trustee or similar officer for Developer or its assets, the commencement of bankruptcy or other insolvency proceedings by or against Developer, or if Developer is a partnership, corporation or limited liability company, any of the foregoing occur with respect to any partner, shareholder or member of Developer who owns a controlling interest in Developer or who has any responsibility for management of Developer;

(4) Any purported assignment or transfer of this Agreement, the development rights granted hereunder or an ownership interest in Developer other than in accordance with the provisions of Section 13 hereof;

(5) Termination of any Unit Franchise Agreement between the parties in accordance with the terms thereof, or by Developer without cause;

(6) Developer makes, or has made, any willful or fraudulent misrepresentation to Company in connection with obtaining this Agreement, any Unit Franchise Agreement or any site approval hereunder; or

(7) Developer defaults in the performance of any term, covenant or condition of this Agreement which is not expressly referenced in this Section 11.

B. Upon occurrence of any of the events set forth above, Company may, without prejudice to any other rights or remedies contained in this Agreement or provided by law or equity, terminate this Agreement by notice to Developer. Such termination shall be effective immediately upon receipt of written notice by Developer if the default is an event specified in paragraphs (1) through (6) above, to which no right of cure exists. Termination shall be effective thirty (30) days after receipt of written notice by Developer if the default is an event specified in paragraph (7) above and such default is not cured to Company's satisfaction within such period.

C. Upon termination or expiration of this Agreement, the development rights granted hereunder shall become null and void and Developer shall immediately cease any further attempts to select or develop sites on which to construct Units. Developer shall have no right to establish or operate any Unit for which a Unit Franchise Agreement has not been executed by Company prior to termination or expiration hereof. Termination or expiration of this Agreement shall not affect the rights of Developer to operate any Unit in accordance with the terms of any Unit Franchise Agreement which Developer has entered into with Company, until and unless such Unit Franchise Agreement is terminated in accordance with its terms. Developer acknowledges that upon termination or expiration hereof, Company shall be entitled to: (i) retain the balance of the development fee not applied towards initial franchise fees prior to termination or expiration hereof; and (ii) establish, or license others to establish, B-Bop's Restaurants in the Trade Area, except to the extent limited by the terms of any Unit Franchise Agreement executed by Company and Developer.

## 12. COVENANT NOT TO COMPETE.

A. Developer hereby agrees that during the term of this Agreement, Developer, its directors, officers, shareholders, partners, members, principals or agents will not, directly or indirectly, enter into or engage in any business the same as or substantially similar to a B-Bop's Restaurant, except for any Unit owned and operated by Developer pursuant to a Unit Franchise Agreement entered into between the parties hereto.

B. Developer hereby agrees that for a period of two (2) years immediately following the termination or expiration of this Agreement, Developer, its directors, officers, shareholders, partners, members, principals or agents will not, directly or indirectly, enter into or engage in any business the same as or substantially similar to a B-Bop's Restaurant operating at any location within the Trade Area or within a twenty (20) mile radius of any other B-Bop's Restaurant then in operation or under construction, whether owned and operated by Company, any affiliate of Company or by a franchisee under license granted by Company, except that Developer shall be entitled to continue to own and operate any Unit pursuant to a Unit Franchise Agreement entered into between the parties hereto.

C. For purposes of this Section 12, a business shall be deemed the "same as or substantially similar to a B-Bop's Restaurant" if the business is engaged in preparing and serving to the public any food items included from time to time as a standard menu item for a B-Bop's Restaurant.

13. ASSIGNMENT BY DEVELOPER. Developer acknowledges that the rights and duties created pursuant to this Agreement are personal to Developer and its owners and that Company has granted the development rights in reliance upon the character, skill, business ability, financial capacity and attitude of Developer and its owners. Therefore, without the prior written approval of Company, neither this Agreement nor the development rights (or any interest therein), nor any controlling ownership interest in Developer may be directly or indirectly, voluntarily or by operation of law, sold, assigned, conveyed, sublet, subfranchised or otherwise transferred (hereinafter collectively referred to as a "transfer") to any person or entity. Under no circumstances will Developer be permitted to make any partial transfer of the development rights granted hereunder; any sale, assignment or transfer of this Agreement or the development rights shall require Developer to transfer all of Developer's right, title and interest in and to this Agreement and the development rights. Company shall not unreasonably withhold its consent to any transfer when requested, provided that such transfer complies with the following requirements that may be applicable to the particular type of transfer:

A. Transfer to Successor Entity. If Developer is an individual and desires to transfer the development rights to a partnership, corporation or limited liability company, Company will not unreasonably withhold its consent to such transfer upon satisfaction of the following conditions: (i) such entity shall comply with each of the requirements specified in Section 14 hereof pertaining to ownership of the development rights by an entity; (ii) Developer shall be the owner of a majority of the equity and voting securities or interests issued by such entity; (iii) Developer shall be the principal executive of such entity; (iv) all accrued money obligations of Developer to Company shall be satisfied prior to the transfer and Developer shall otherwise be in full compliance with the terms of this Agreement and all Unit Franchise Agreements between the parties; and (v) the entity agrees, in writing satisfactory to Company, to assume all Developer's obligations hereunder. Any assignment to an entity as provided herein shall not release Developer from any obligations imposed by this Agreement and Developer shall remain jointly and severally liable for all such obligations.

B. Death or Disability of Developer. In the event of death or permanent mental or physical disability of Developer, or any partner, shareholder or member owning a controlling interest in Developer, the legal representative of Developer, or such partner, shareholder or member thereof, together with all surviving partners, shareholders or members, if any, jointly, shall, within six (6) months of such event apply in writing for the right to transfer the development rights, or the controlling ownership interest of the deceased or disabled partner, shareholder or member in Developer, to such person or persons as the legal representative may specify. Consent to such transfer (including transfers by devise or inheritance) will not unreasonably be withheld by Company, provided that Company may in its discretion require that such transfer comply with one

or more of the conditions set forth in Section 13(C) hereof, except that: (i) payment of the transfer fee shall not be required; and (ii) the legal representative need not comply with Company's right of first refusal if the transfer is to be a member of the immediate family of Developer or to a member of the immediate family of the deceased or disabled partner, shareholder or member. If the legal representative and any surviving partners, shareholders or members fail to comply with the provisions of this Section 13(B), or do not propose a transferee acceptable to Company, this Agreement and the development rights granted hereunder may be terminated in accordance with the provisions of Section 11 hereof. Any transfer of a noncontrolling ownership interest in Developer upon the death or disability of a partner, shareholder or member shall be deemed approved by Company upon receipt by Company of written notice of such transfer.

C. Other Transfers. Company will not unreasonably withhold its consent to any transfer not falling within the scope of Sections 13(A) or 13(B) above, provided that Company may in its discretion require that one or more of the following conditions be satisfied prior to, or concurrently with, the effective date of such transfer:

(1) The transferee shall be of good moral character and reputation, have the financial capacity to develop the Units in accordance with the Development Schedule, have business qualifications reasonably acceptable to Company and otherwise meet Company's then current standards for developers. Developer shall provide Company with such information as Company may reasonably require to make such a determination concerning each proposed transferee;

(2) The transferee shall enter into a written assignment in a form satisfactory to Company, assuming and agreeing to be bound by and discharge all of Developer's obligations imposed by this Agreement, and, if the obligations of Developer were guaranteed by the transferor, the transferee shall execute a guaranty in form and substance acceptable to Company;

(3) Developer (and such partners, shareholders or members thereof as Company may direct), or the individual partner, shareholder or member thereof proposing to make such transfer, shall execute a general release of all claims against Company and its affiliates and their respective directors, officers, agents and employees;

(4) Developer (and such partners, shareholders or members thereof as Company may direct), or the individual partner, shareholder or member thereof proposing to make the transfer, shall execute a nondisclosure and noncompetition agreement in favor of Company containing the restrictions set forth in Sections 10 and 12 of this Agreement;

(5) Developer shall have fully paid and satisfied all of Developer's obligations owing to Company under this Agreement and any Unit Franchise

Agreement between the parties, and shall have fully paid a transfer fee of Three Thousand Dollars (\$3,000) to Company for supervisory, administrative, accounting, legal and other expenses incurred by Company in connection with such transfer;

(6) If transferee is a partnership, corporation or limited liability company, such entity shall comply with each of the requirements specified in Section 14 hereof pertaining to ownership of the development rights by an entity;

(7) If any Unit Franchise Agreements executed pursuant to this Agreement are to be transferred by Developer, the transferee and Developer shall comply with all terms thereof relating to such transfer; and

(8) Developer, or the partner, shareholder or member proposing to make such transfer, shall have complied with the right of first refusal provisions set forth in Section 13(D) hereof.

Upon compliance with the foregoing conditions and Company's approval of the transfer, Developer or any partner, shareholder or member participating in such transfer shall thereupon be relieved of future obligations arising under the terms of this Agreement, except that approval of such transfer shall not constitute a waiver of any claims Company may have against Developer or any partner, shareholder or member participating in such transfer resulting from events prior to the effective date of such transfer.

D. Right of First Refusal. If Developer, or any partner, shareholder or member thereof, shall at any time determine to sell, convey or otherwise transfer this Agreement, the development rights or any partner's, shareholder's or member's ownership interest in Developer which would be subject to the provisions of Section 13(C) hereof, Developer or such partner, shareholder or member shall obtain a bona fide, executed written offer from the proposed purchaser and shall submit an exact copy of such offer to Company. Company shall have the right and option, exercisable by written notice to Developer or such partner, shareholder or member thereof within thirty (30) days of the date of receipt by Company of a copy of such offer, to purchase the development rights or such partner's, shareholder's or member's ownership interest in Developer for the price and on the same terms and conditions contained in such offer. In the event Company exercises its right of first refusal, closing of the transaction shall occur within one hundred twenty (120) days from the acceptance of such offer, unless otherwise agreed by the parties. If Company does not exercise its right of first refusal, Developer or such partner, shareholder or member may complete the transfer to the proposed purchaser pursuant to and in accordance with the terms of such offer, subject to compliance with the provisions of Section 13(C) hereof, which shall include obtaining the prior written consent of Company. If Company elects not to exercise the right of first refusal and the terms of the unaccepted offer are altered in any material nature, Company shall, in each instance, be notified in writing of the revised offer and shall again have

thirty (30) days to purchase the development rights or such partner's, shareholder's or member's interest in Developer on the revised terms.

E. Ownership Changes. If Developer is a corporation, partnership or limited liability company, Developer agrees to notify Company of any change in ownership interests in Developer which, when taken alone or together with all previous or simultaneous changes of ownership during the term hereof, constitutes a change of ten percent (10%) or more of the ownership interests in Developer. Any change in ownership interests which, when taken alone or together with all previous or simultaneous changes in ownership during the term hereof, constitutes a change of fifty percent (50%) or more of the ownership interests in Developer shall be considered a transfer subject to the provisions of Section 13(C) and 13(D) hereof.

14. ENTITY DEVELOPER. In the event Developer is a corporation, partnership (general or limited) or limited liability company on the effective date of this Agreement, or if the development rights or any ownership interest in Developer is thereafter transferred to a corporation, partnership or limited liability company in accordance with the provisions of Section 13 hereof, such entity shall comply with the following:

(1) The entity shall be newly organized and its activities shall be confined exclusively to the development and operation of one or more Units pursuant to the terms of this Agreement and any Unit Franchise Agreements between the parties;

(2) The governing documents of such entity shall provide that the issuance or transfer of any ownership interests in such entity shall be subject to the restrictions contained in this Agreement;

(3) Any stock certificate or other evidence of ownership issued by such entity shall have conspicuously endorsed upon it a statement that it is held subject to, and that further assignment or transfer thereof is subject to, all restrictions imposed upon transfer by this Agreement;

(4) Any person who is or becomes the holder of a controlling interest in such entity or who has any responsibility for management of Developer, shall at the direction of Company execute a guaranty agreeing to be personally bound by the provisions of this Agreement; and

(5) At the request of Company, such entity shall furnish to Company a certified copy of its governing documents and/or a list of all owners indicating their respective ownership interests in the entity.

15. ASSIGNMENT BY COMPANY. Company shall have the right to assign this Agreement to any person or entity without the consent of Developer, provided that the transferee agrees in writing to assume all Company's obligations imposed by this Agreement.

16. INDEMNIFICATION. Developer agrees to indemnify and hold Company and its affiliates and their respective, directors, officers, shareholders, agents and employees harmless against, and reimburse them for, all liabilities, damages, penalties, assessments or expenses (including litigation expenses and reasonable attorneys' fees) any of them may incur as a result of any claim, demand, cost or judgment of any kind or nature, by anybody whomsoever, arising out of, or in any manner connected with, Developer's performance of this Agreement, including, but not limited to, exercise of the development rights, acquisition of any Unit site, construction of any Unit, the ownership, maintenance or operation of any Unit.

17. ARBITRATION. Except for controversies, disputes or claims related to or based on the Licensed Marks or any confidential information or trade secrets of Company, all controversies, disputes or claims between Developer and Company, its affiliates and their respective directors, officers, shareholders, agents and employees arising out of or related to (i) this Agreement or any other agreement between the parties; (ii) the relationship of the parties hereto; or (iii) the validity of this Agreement or any other agreement between the parties shall, on the demand of either party, be submitted to arbitration in accordance with the current commercial arbitration rules of the American Arbitration Association. Any arbitration proceedings should be conducted in Des Moines, Iowa and shall be heard by one arbitrator, the identity of whom shall be agreed upon in advance by the parties. In the event the parties are unable to agree upon a single arbitrator, each party shall select one arbitrator and the two arbitrators so selected shall in turn select a third arbitrator and the arbitration proceeding shall be heard before the three person panel.

The arbitrator(s) shall have the right to award or include in the award any relief deemed appropriate under the circumstances, including, without limitation, money damages (with interest on unpaid amounts from the due date) specific performance, injunctive relief and attorneys fees and costs, provided that the arbitrator(s) shall not award exemplary or punitive damages. The award and decision of the arbitrator(s) shall be conclusive and binding upon all parties hereto and judgment upon the award may be entered in any court of competent jurisdiction. Each party waives any right to contest the validity and enforceability of such award. The parties agree to be bound by the provisions of any limitation on the period of time which claims must be brought under applicable law or this Agreement. The parties further agree, that in connection with any such arbitration proceeding, each shall file any compulsory counterclaim (as defined under the Federal Rules of Civil Procedure) within thirty (30) days after the date of the filing of the claim to which it relates. This Section 17 shall continue in full force and effect subsequent to and notwithstanding the expiration or termination of this Agreement.

18. RELATIONSHIP. Company and Developer shall not be considered as joint venturers, partners, agents or legal representatives of the other. Developer is, and shall remain at all times, and independent contractor. The parties agree that this Agreement does not create a fiduciary relationship between Company and Developer.

19. NOTICE. All notices, offers, requests and other communications from either of the parties hereto to the other shall be in writing and shall be considered to have been duly given or served if sent by first class mail, return receipt requested, postage prepaid, to the party at its

address set forth below, or to such other address as such party may hereafter designate by written notice to the other party:

A. If to Company, to B-Bop's Franchising Corp., 2900 100<sup>th</sup> St., Suite 302, Urbandale, Iowa 50322.

B. If to Developer, to the address set forth on the signature page hereof.

20. APPROVAL OF COMPANY. Where the consent or approval of Company is required in any Section of this Agreement, Company agrees that such consent or approval shall not unreasonably be withheld.

21. WAIVER OF OBLIGATIONS. Company or Developer may by written notice to the other unilaterally waive or reduce any obligation of or restriction upon the other imposed by this Agreement, effective upon delivery of such written notice to the other. Company makes no warranties upon which Developer may rely, and assumes no liability or obligation to Developer, by granting any waiver or by reason of any delay in acting on any request for a waiver. Any waiver granted by Company shall be without prejudice to any other rights Company may have, will be subject to continuing review by Company, and may be revoked, in Company's sole discretion, at any time and for any reason, effective ten (10) days after delivery of written notice to Developer.

Company and Developer shall not be deemed to have waived or impaired any right, power or option reserved by this Agreement by virtue of any custom or practice of the parties at variance with the terms hereof; by any failure, refusal or neglect of Company or Developer to exercise any right under this Agreement or to insist upon exact compliance by the other with its obligations hereunder; by any waiver, forbearance, delay, failure or omission by Company to exercise any right, power or option, whether of the same or of a different nature, with respect to any other franchisee or developer, or through the acceptance by Company of any payments due from Developer after any breach of this Agreement.

Neither Company nor Developer shall be liable for loss or damage or deemed to be in breach of this Agreement if its failure to perform its obligations results from: (a) compliance with any law, ruling, order, regulation, requirement or instruction of any federal, state or municipal government or any department or agency thereof; (b) shortages of any equipment, materials or supplies necessary for construction or operation of any Unit; (c) acts of God; (d) acts or omissions of the other party hereto; (e) fires, strikes, embargoes, or riots; or (f) any other similar event or cause. Any delay resulting from any of said causes shall extend performance accordingly or excuse performance, in whole or in part, as may be reasonable under the circumstances.

22. REPRESENTATIONS. It is specifically recognized and acknowledged by Developer that the success of the business venture to be undertaken by Developer by virtue of this Agreement depends to a great extent upon the ability of Developer as an independent party and entrepreneur as well as market conditions beyond the control of either Company or

Developer. Developer acknowledges that Developer has entered into this Agreement after making independent investigation of Company's operations and programs and not upon any representation as to revenues, profits or success which Developer will realize. Developer acknowledges that there have been no oral, written or visual representations or warranties of any kind made by Company or any representatives thereof or any other person on its behalf with respect to the potential success of Developer's business or otherwise, except as expressly stated herein or in the Franchise Offering Circular that has been delivered to Developer. Developer represents and warrants that all statements and information furnished to Company by Developer in connection with Developer's application to become an authorized Developer of Company, including the Preliminary Financial Profile of Developer, are true and correct. Developer acknowledges that Company has relied on said statements and information in making its determination of Developer's qualifications to become an authorized Developer.

23. ACKNOWLEDGMENTS. Developer represents and warrants to Company as follows:

A. Developer has received a copy of this Agreement, and all attachments hereto, at least five (5) business days prior to the date on which this Agreement was executed by Developer.

B. Developer acknowledges that Developer has received the Uniform Franchise Offering Circular provided by Company at least ten (10) business days prior to the date on which this Agreement was executed.

C. Developer acknowledges that Developer has read and understood this Agreement, the attachments hereto, and the Uniform Franchise Offering Circular provided by Company, and that Developer has had ample time and opportunity to consult with advisors of its own choosing about the potential benefits and risks of entering into this Agreement.

24. INVALIDITY. If any term or provision of this Agreement, or any part of any term or provision hereof, shall be adjudicated to be void or invalid, then the remaining terms and provision hereof not specifically so adjudicated to be invalid shall be executed without reference to the term or provision or part thereof so adjudicated, insofar as such remaining terms and provisions are capable of execution.

25. GOVERNING LAW. This Agreement shall be deemed made when accepted by Company in Des Moines, Iowa, and, shall be subject to and governed by the laws of the State of Iowa.

26. ENTIRE AGREEMENT. This Agreement, the Appendices attached hereto and incorporated herein by this reference and any Unit Franchise Agreement executed between the parties pursuant to this Agreement constitute the entire, full and complete agreement between Company and Developer concerning the subject matter hereof, and supersedes all prior oral or written agreements. No amendment, change or variance from this Agreement shall be binding

on either party unless in writing and executed by the party against whom enforcement of such amendment, change or variance is sought.

27. PARTIES. The terms "Company" and "Developer" and any pronoun referring thereto, shall be deemed to include the parties hereto and their respective heirs, executors, administrators, successors and assigns, without regard to gender or number. If there is more than one Developer, they shall be bound jointly and severally. Any reference to the term "Developer" which is applicable to an individual or individuals shall mean the owner or owners of the equity or operating control of Developer if Developer is a corporation or partnership. Except to the extent otherwise expressly set forth herein, nothing in this Agreement is intended, or shall be construed, to confer any rights or remedies upon any person or entity not a party hereto.

28. EFFECTIVE DATE. This Agreement shall be effective as of the date of execution by Company.

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

IN WITNESS WHEREOF, the parties hereto have executed this Agreement in duplicate as of the day and year set forth below.

DEVELOPER

B-BOP'S FRANCHISING CORP.

\_\_\_\_\_  
(Print Name of Developer)

By \_\_\_\_\_

Title: \_\_\_\_\_

\_\_\_\_\_  
Signature (If an Individual)

Dated: \_\_\_\_\_

Dated: \_\_\_\_\_

By \_\_\_\_\_

Signature (If an Entity)

Title: \_\_\_\_\_

Dated: \_\_\_\_\_

Developer Address

\_\_\_\_\_

\_\_\_\_\_

APPENDIX I

DESCRIPTION OF TRADE AREA

Developer shall have the exclusive right to develop B-Bop's Restaurants in accordance with the provision of this Agreement in the geographic area described as follows (the "Trade Area"):

INITIALED:

COMPANY \_\_\_\_\_

DEVELOPER \_\_\_\_\_

APPENDIX II

SCHEDULE OF DEVELOPMENT AND  
TERM OF AGREEMENT

1. Developer agrees to develop B-Bop's Restaurants in the Trade Area in accordance with the following schedule (the "Development Schedule"):

| <u>Period</u> | <u>Beginning and Ending<br/>Dates of Period</u> | <u>Units to be Developed in Trade<br/>Area During Period</u> | <u>Total Units Open and<br/>Operating in Trade<br/>Area at End of Period</u> |
|---------------|---|--|--|
| 1             |   |  |  |
| 2             |   |  |  |
| 3             |   |  |  |
| 4             |   |  |  |
| 5             |   |  |  |
| 6             |   |  |  |

The Development Schedule indicates, for each development period, the number of Units that Developer shall be required to: (a) develop and open during the development period; and (b) have open and operating, on a cumulative basis, at the end of the development period. Any Unit which is permanently closed by Developer after having been opened shall be deemed opened and operating for purposes of the Development Schedule only if a Unit designated as the substitute for the closed Unit is opened for operation within nine (9) months of such closing. The substitute Unit shall not otherwise count towards completion of the Development Schedule.

2. The term of this Agreement shall expire on \_\_\_\_\_, \_\_\_\_\_.

INITIALED:

COMPANY \_\_\_\_\_

DEVELOPER \_\_\_\_\_

APPENDIX III

DEVELOPMENT FEE AND ALLOCATION TO  
INITIAL FRANCHISE FEES

1. The development fee for the development rights granted hereunder shall be \_\_\_\_\_ Dollars (\$\_\_\_\_\_).
2. The initial franchise fee for the initial Unit developed pursuant to this Agreement shall be \_\_\_\_\_ Dollars (\$\_\_\_\_\_).
3. The initial franchise fee for each additional Unit developed pursuant to this Agreement shall be \_\_\_\_\_ Dollars (\$\_\_\_\_\_).
4. \_\_\_\_\_ Dollars (\$\_\_\_\_\_)  
from the development fee shall be allocated toward the initial franchise fee payable for each Unit developed pursuant to this Agreement.

INITIALED:

COMPANY \_\_\_\_\_

DEVELOPER \_\_\_\_\_

**PERSONAL GUARANTY OF OBLIGATIONS UNDER  
MULTIPLE-UNIT DEVELOPMENT AGREEMENT**

1. The undersigned persons hereby represent to B-Bop's Franchising Corp. ("Company") that they are partners or shareholders of the developer ("Developer") entering into the within and foregoing Multiple-Unit Development Agreement (the "Agreement"), of which this Personal Guaranty shall be deemed an integral part.

2. In consideration of the development rights granted to Developer hereunder and in order to induce Company to grant such development rights to Developer, each of the undersigned hereby agrees, jointly, individually and severally, for themselves, their heirs, legal representatives and assigns as follows: (a) that they, and each of them, shall be personally bound by and agree to perform all of the terms, provisions and conditions of this Agreement; (b) that they, and each of them, do hereby personally and unconditionally guarantee full and prompt payment to Company of any indebtedness of Developer arising under or by virtue of this Agreement; (c) that they, and each of them, will not sell, assign or otherwise permit or cause a transfer of the development rights or any partnership or stock interest in Developer without complying with the requirements of Section 13 of the Agreement; (d) that they, and each of them, shall be personally bound by the nondisclosure and noncompete covenants of this Agreement; and (e) that they, and each of them, shall be personally liable for the breach of any provision of this Agreement, including both monetary obligations and any obligation to take or refrain from taking specific actions or activities.

3. Each of the undersigned further agree as follows: (a) that this Guaranty shall be continuing and irrevocable; (b) that they, and each of them, shall render any payment or performance required under this Agreement upon demand if Developer fails or refuses promptly to do so; (c) such liability shall be primary and shall not be contingent upon Company pursuing or exhausting any remedies against Developer; (d) such liability shall not be waived, diminished or otherwise affected by any extension of time, credit or other indulgence which Company may from time to time grant to Developer; and (e) that they, and each of them, hereby waive notice of acceptance, demand, protest, nonperformance and of any other notices.

**PERSONAL GUARANTORS**

|                    |               |                            |
|--------------------|---------------|----------------------------|
| _____<br>Signature | _____<br>Date | _____<br>Percent Ownership |
| _____<br>Signature | _____<br>Date | _____<br>Percent Ownership |

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Date

\_\_\_\_\_  
Percent Ownership

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Date

\_\_\_\_\_  
Percent Ownership

NOTE: This Guaranty must be executed by such partners or shareholders of Developer as Company may direct.

ADDENDUM TO MULTIPLE-UNIT DEVELOPMENT AGREEMENT  
FOR STATE OF MINNESOTA

Company and Developer hereby agree that the foregoing Multiple-Unit Development Agreement (the "Agreement") shall be amended as set forth below:

1. Sections 2 and 11 of the Agreement are hereby amended by addition of the following provision:

To the extent that Minnesota Statutes Section 80C.14 is applicable to this Agreement, Company will comply with Section 80C.14, subdivisions 3, 4 and 5 which require, except in certain specified cases, that a franchisee be given ninety (90) days notice of termination (with sixty (60) days to cure) and one hundred eighty (180) days notice of non-renewal.

2. Section 13(C)(3) of this Agreement is hereby deleted in its entirety and replaced by the following provision:

(3) Developer (and such partners, shareholders or members thereof as Company may direct) or the individual partner, shareholder or member thereof proposing to make such transfer, shall execute a general release of all claims against Company and its affiliates and their respective directors, officers, agents and employees (except to the extent that such a release is prohibited by Minnesota Statutes Chapter 80C);

3. Section 25 of the Agreement is hereby amended by addition of the following provision:

Pursuant to Minnesota Statutes Section 80C.21 and Minnesota Rule Part 2860.4400J, this Section shall not in any way abrogate or reduce any rights of Developer as provided for in Minnesota Statutes, Chapter 80C.

IN WITNESS WHEREOF, the parties to the Agreement have executed this Addendum as of the date set forth below.

DEVELOPER

B-BOP'S FRANCHISING CORP.

\_\_\_\_\_  
(Print Name of Developer)

By \_\_\_\_\_

Title: \_\_\_\_\_

\_\_\_\_\_  
Signature (If an Individual)

Dated: \_\_\_\_\_

Dated: \_\_\_\_\_, \_\_\_\_\_

By \_\_\_\_\_  
Signature (If an Entity)

Title: \_\_\_\_\_

Dated: \_\_\_\_\_, \_\_\_\_\_

#14902629

**EXHIBIT E**  
**APPLICATION AGREEMENT**

## APPLICATION AGREEMENT

THIS APPLICATION AGREEMENT (the "Agreement") made and entered into as of the date set forth below, by and between B-Bop's Franchising Corp., an Iowa corporation with its principal place of business located at 2900 100<sup>th</sup> St., Suite 302, Urbandale, Iowa 50322 ("Company"), and \_\_\_\_\_ of \_\_\_\_\_ ("Applicant").

In consideration of the mutual covenants contained herein, Company and Applicant agree as follows:

1. Applicant hereby applies to Company to be considered for the purchase of the following (check one only):

\_\_\_\_\_ the rights to own and operate one B-Bop's Restaurant in the trade area described in Appendix I hereto.

\_\_\_\_\_ the rights to develop on an exclusive basis a number of B-Bop's Restaurants in the trade area described in Appendix I hereto.

For purposes of this Agreement, the rights applied for in this Section 1 shall be referred to as the "Rights" and the trade area described in Appendix I hereto shall be referred to as the "Trade Area".

2. Applicant has deposited with Company the sum of \$5,000 to cover certain expenses to be incurred by Company in: (i) reviewing Applicant's application for the Rights; (ii) reviewing prospective sites submitted by Applicant for approval; and (iii) providing such additional assistance or information as Company may in its discretion deem appropriate to enable Applicant to determine its interest in providing the Rights. For purposes of this Agreement, the deposit specified above shall be referred to as the "Deposit". Applicant agrees that the Deposit shall not bear interest and that it may be co-mingled with other Company funds.

3. Company agrees that within ninety (90) days of the effective date of this Agreement (which period may be extended by Company in its sole discretion), Company will inform Applicant in writing whether Applicant will be granted the Rights. Applicant acknowledges and understands that while Company agrees to consider Applicant for the Rights, Company shall have absolute discretion in determining whether to grant the Rights to Applicant. Applicant further acknowledges that Company's determination of whether to grant the Rights to Applicant will depend on a number of factors, including, but not limited to: (i) Applicant's character and business background; (ii) Applicant's financial resources and ability to obtain acceptable financing; (iii) location of an acceptable premises for operation of the business; (iv) negotiation of an acceptable agreement for the lease or purchase of such premises; and (v) Applicant's ability to secure all necessary permits and/or licenses for operation of the business. Applicant agrees to use Applicant's best efforts during the term of this Agreement to arrange

financing, to select proposed sites to be submitted to Company for approval and to take such other actions as may be necessary to place Applicant in a position to purchase the Rights, if the Rights are granted by Company. Applicant acknowledges that Applicant shall be solely responsible for arranging all financing and selecting and securing sites acceptable to Company.

4. APPLICANT UNDERSTANDS AND AGREES THAT NOTHING CONTAINED IN THIS AGREEMENT OBLIGATES COMPANY TO GRANT APPLICANT THE RIGHTS. THE PARTIES HERETO ACKNOWLEDGE THAT COMPANY AND APPLICANT EACH HAVE THE RIGHT TO TERMINATE THIS AGREEMENT, WITHOUT CAUSE, AT ANY TIME BY WRITTEN NOTICE TO THE OTHER, IN WHICH CASE, THE DEPOSIT, OR A PORTION THEREOF, SHALL BE RETURNED IN ACCORDANCE WITH THE PROVISIONS OF SECTION 7 HEREOF. A DECISION BY COMPANY NOT TO GRANT THE RIGHTS TO APPLICANT, WHEN COMMUNICATED TO APPLICANT IN WRITING, SHALL BE DEEMED TO IMMEDIATELY TERMINATE THIS AGREEMENT, WHEREUPON APPLICANT SHALL HAVE NO FURTHER INTEREST IN THE TRADE AREA.

5. Applicant acknowledges that any information provided by Company with respect to a B-Bop's Restaurant is highly confidential and contains trade secrets of Company. Applicant further acknowledges that such confidential information shall at all times remain the exclusive property of Company. Applicant agrees that Applicant will keep confidential and will not, directly or indirectly, divulge, disclose or in any other manner communicate the contents of such confidential information to any person or entity, nor reproduce or make copies of any of such confidential information, except with the prior written consent of Company. Applicant shall immediately return all confidential information (without retaining copies thereof) to Company upon: (i) termination of this Agreement for any reason whatsoever by either party hereto; or (ii) Company's determination not to grant the Rights to Applicant. If this Agreement is terminated or if Company declines to grant the Rights to Applicant, Applicant agrees to refrain from any further use of Company's confidential information for any purpose whatsoever. Upon receipt by Company of all confidential information, Company shall return to Applicant the Deposit, or a portion thereof, in accordance with the provisions of Section 7 hereof.

6. Prior to informing Applicant of Company's decision of whether the Rights will be granted, Company agrees that it shall not negotiate with any third party regarding the potential purchase of a B-Bop's Restaurant in the Trade Area. For purposes of this Section 6, the term "negotiate" shall mean the execution of an Application Agreement with any third party, the acceptance of a deposit from any third party or the providing of any assistance or information identified in this Agreement to any third party. Nothing in this Section 6 shall prohibit Company from providing an information package or Franchise Offering Circular to any third party interested in purchasing a B-Bop's Restaurant in the Trade Area with any third party for the purchase of a B-Bop's Restaurant in the Trade Area. Upon termination of this Agreement by either party, Company shall be entitled to negotiate.

7. If Company, in its sole discretion, determines to grant the Rights to Applicant, the Deposit shall be credited toward the amount required to be paid by Applicant as the initial

franchise fee or the development fee (whichever shall be applicable). If Company determines that the Rights will not be granted to Applicant, or if either party terminates this Agreement, Applicant shall be entitled to a refund (upon return of all confidential information) equal to the Deposit minus the lesser of: (i) Four Thousand Five Hundred Dollars (\$4,500); or (ii) the actual expenses incurred by Company in providing the services identified in Section 2 hereof. For purposes of this Section 7, "actual expenses" shall be deemed to include all travel, lodging and other living expenses reasonably incurred by Company personnel, any other out of pocket expenses incurred by Company hereunder and a one hundred dollar (\$100.00) per hour charge for office time spent reviewing information submitted by Applicant or preparing information to be furnished to Applicant. Company shall forward any refund to Applicant within ten (10) days after Applicant has returned all confidential information to Company. Failure to return any confidential information shall result in forfeiture of the entire Deposit and in such other action as Company may in its discretion deem appropriate.

8. If Company determines to grant the Rights to Applicant, Company will forward appropriate documentation to Applicant for execution. Failure by Applicant to execute such documentation and to deliver it, together with payment of any initial franchise fee or development fee (whichever shall be applicable), to Company within fifteen (15) days after Applicant's receipt of such documents shall be deemed an election by Applicant not to purchase the Rights and to terminate this Agreement, at which time Company's grant of the Rights shall become null and void and Applicant shall have no further interest with respect to the Trade Area.

9. The parties hereto acknowledge that this Agreement does not constitute an offer of the Rights by Company, nor a commitment by Company to grant the Rights to Applicant. Applicant acknowledges that neither Company, nor anyone acting on behalf of Company, has made any representations, inducements, promises or agreements, orally or in writing, regarding the subject matter of this Agreement which are not contained herein. Applicant further acknowledges that no statements or representations regarding revenues, profits or success of the business have been made to Applicant by Company or anyone acting on behalf of Company.

10. This Agreement may not be assigned by Applicant, whether by voluntary transfer or by operation of law, and any purported assignment hereof shall result in the automatic termination hereof.

11. Applicant acknowledges that Applicant has received the Franchise Offering Circular (with various exhibits thereto) describing the Rights and that Applicant has executed an Acknowledgement of Receipt and delivered the same to Company. Under applicable law, Applicant must have possession of the Franchise Offering Circular and this Agreement for at least ten (10) business days (Monday through Friday, excluding holidays) before executing this Agreement or paying the Deposit required hereunder. Applicant further acknowledges that Applicant has been advised by Company to carefully review the Franchise Offering Circular and exhibits thereto and to contact Company if Applicant has any questions with regard to the information contained therein.

12. Upon termination of this Agreement for any reason whatsoever by either party hereto, or upon Company's determination not to grant the Rights to Applicant, the rights of Applicant shall be limited solely to the return of the Deposit, or a portion thereof, as provided in Section 7 hereof. Applicant hereby waives any and all rights to any damages and/or reimbursement from Company or any affiliate, director, officer, employee or agent thereof for expenses or costs incurred by Applicant in investigating the feasibility of purchasing the Rights. Applicant hereby acknowledges that any such costs or expenses are the sole obligation and responsibility of Applicant and that Company and its affiliates, directors, officers, employees and agents shall have no liability whatsoever with respect to such costs or expenses.

13. Company's obligation to return the Deposit, or a portion thereof, as required by Section 7 hereof and Applicant's obligation to return all confidential information and to maintain confidentiality with respect thereto as required by Section 5 hereof shall survive the termination of this Agreement.

14. Applicant agrees not to enter into any binding agreement for lease or purchase of a site prior to receiving Company's written approval of such site and of the terms of such agreement. Company's approval of a site (or its assistance in selecting a site) shall in no manner constitute a representation or guaranty by Company that such site will prove to be a successful location for a B-Bop's Restaurant.

15. This Agreement constitutes the entire agreement of the parties pertaining to the subject matter hereof and there are no other oral or written understandings or agreements with respect hereto. Applicant acknowledges and agrees that the terms of this Agreement shall not be modified or amended in any manner, except by a written document which is executed both by Applicant and Company, and which is specifically identified as an amendment hereto.

16. This Agreement shall be governed in accordance with the laws of the State of Iowa and shall be effective as of the date of execution by Company.

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

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date set forth below.

APPLICANT

B-BOP'S FRANCHISING CORP.

\_\_\_\_\_  
(Print Name of Applicant)

By \_\_\_\_\_

Title: \_\_\_\_\_

\_\_\_\_\_  
Signature (If an individual)

Dated: \_\_\_\_\_

Dated: \_\_\_\_\_

By \_\_\_\_\_  
Signature (If an Entity)

Title: \_\_\_\_\_

Dated: \_\_\_\_\_

**IMPORTANT NOTICE TO APPLICANT**

**UNLESS AT LEAST TEN (10) BUSINESS DAYS HAVE PASSED SINCE YOU FIRST RECEIVED THE FRANCHISE DISCLOSURE DOCUMENT PROVIDED BY COMPANY, YOU SHOULD NOT EXECUTE THIS AGREEMENT OR MAKE ANY PAYMENT TO COMPANY. IF YOU DO SO COMPANY WILL HAVE NO ALTERNATIVE EXCEPT TO RETURN YOUR APPLICATION AND DEPOSIT WITHOUT HAVING PROCESSED THEM. PLEASE COMPLETE THE FOLLOWING:**

**I RECEIVED THE FRANCHISE DISCLOSURE DOCUMENT FROM COMPANY ON \_\_\_\_\_, \_\_\_\_\_.**

**APPLICANT'S INITIALS: \_\_\_\_\_**

## **APPENDIX I**

### **DESIGNATION OF TRADE AREA**

For purposes of this Agreement, the “Trade Area” shall be defined as follows:

ADDENDUM TO APPLICATION AGREEMENT  
FOR STATE OF MINNESOTA

Company and Applicant hereby agree that the foregoing Application Agreement (the “Agreement”) shall be amended as set forth below:

1. Section 16 of the Agreement is revised by addition of the following provision:

Pursuant to Minnesota Statutes Section 80C.21 and Minnesota Rule Part 2860.4400J, this Section shall not in any way abrogate or reduce any rights of Applicant as provided for in Minnesota Statutes, Chapter 80C.

IN WITNESS WHEREOF, the parties to the Agreement have executed this Addendum as of the date set forth below.

APPLICANT

B-BOP’S FRANCHISING CORP.

\_\_\_\_\_  
(Print name of Applicant)

By \_\_\_\_\_

Title: \_\_\_\_\_

\_\_\_\_\_  
Signature (If an Individual)

Dated: \_\_\_\_\_

Dated: \_\_\_\_\_

By \_\_\_\_\_  
Signature (If an Entity)

Title: \_\_\_\_\_

Dated: \_\_\_\_\_

**EXHIBIT F**

**OPERATIONS MANUAL – TABLE OF CONTENTS**

B-BOP'S FRANCHISING CORP. OPERATIONS MANUAL

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**EXHIBIT G**  
**FINANCIAL STATEMENTS**

**B-Bop's Franchising Corporation**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2024, 2023, 2022 and 2021**

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# TARBELL & CO, PLC

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A CERTIFIED PUBLIC ACCOUNTING FIRM

## INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Management  
of B-Bop's Franchising Corporation

### Opinion

We have audited the accompanying financial statements of B-Bop's Franchising Corp., (an Iowa Corporation), which comprise the Balance Sheet as of December 31, 2024 and the related Statement of Income, statement of Stockholder's Equity, and Statement of Cash Flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of B-Bop's Franchising Corporation as of December 31, 2024, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### Basis for Opinion

We conducted our audit 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 Financial Statements section of our report. We are required to be independent of B-Bop's Franchising Corp. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about B-Bop's Franchising Corp's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

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SULLY, IA 50251  
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## **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 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 financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of B-Bop's Franchising Corporation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about B-Bop's Franchising Corporation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

### **Other Matters**

The financial statements of B-Bop's Franchising Corporation as of 2021 were audited by other auditors whose report dated April 8, 2022 expressed an unmodified opinion on those statements. In our opinion, the comparative information presented herein as of and for the year ended December 31, 2021 is consistent, in all material respects, with the audited financial statements from which it has been derived.

We have previously audited B-Bop's Franchising Corporation's December 31, 2023 and 2022 financial statements and we expressed an unmodified opinion on those statements in our report dated April 24, 2024. In our opinion, the comparative information presented herein as of and for the year ended December 31, 2023 and 2022 is consistent, in all material respects, with the audited financial statements from which it has been derived.

  
TARBELL & CO., P.L.C.  
A Certified Public Accounting Firm  
West Des Moines, IA

April 25, 2025

**B-Bop's Franchising Corporation**

Balance Sheet  
As of December 31, 2024, 2023, 2022, and 2021

|   | Assets                                     |                   |                   |                   |
|---|--|-------------------|-------------------|-------------------|
|   | 2024                                       | 2023              | 2022              | 2021              |
| <b>Current Assets</b>                             |  |                   |                   |                   |
| Cash  | \$ 542,855                                 | \$ 467,403        | \$ 351,509        | \$ 170,478        |
| Franchise fee receivable                          | 45,183                                     | 14,761            | 13,029            | 13,231            |
| Receivable - related party                        | -  | -                 | -                 | 32,380            |
| <b>Total Current Assets</b>                       | <b>\$ 588,038</b>                          | <b>\$ 482,164</b> | <b>\$ 364,538</b> | <b>\$ 216,089</b> |
| <b>Fixed Assets</b>                               |  |                   |                   |                   |
| Intangibles                                       | \$ 37,700                                  | \$ 37,700         | \$ 37,700         | \$ 37,700         |
| Accumulated amortization                          | (18,326)                                   | (18,326)          | (18,326)          | (18,326)          |
| <b>Total Fixed Assets</b>                         | <b>\$ 19,374</b>                           | <b>\$ 19,374</b>  | <b>\$ 19,374</b>  | <b>\$ 19,374</b>  |
| <b>Other Non-Current Assets</b>                   |  |                   |                   |                   |
| Note Receivable - Shareholder                     | \$ 194,917                                 | \$ 132,338        | \$ 129,116        | \$ 125,973        |
| <b>Total Other Non-Current Assets</b>             | <b>\$ 194,917</b>                          | <b>\$ 132,338</b> | <b>\$ 129,116</b> | <b>\$ 125,973</b> |
| <b>Total Assets</b>                               | <b>\$ 802,329</b>                          | <b>\$ 633,876</b> | <b>\$ 513,028</b> | <b>\$ 361,436</b> |
|   | <b>Liabilities and Stockholders Equity</b> |                   |                   |                   |
| <b>Current Liabilities</b>                        |  |                   |                   |                   |
| Accounts Payable                                  | \$ 7,596                                   | \$ -              | \$ 487            | \$ -              |
| Accounts Payable - Affiliate                      | -  | -                 | 20,608            | 20,608            |
| <b>Total Current Liabilities</b>                  | <b>\$ 7,596</b>                            | <b>\$ -</b>       | <b>\$ 21,095</b>  | <b>\$ 20,608</b>  |
| <b>Total Liabilities</b>                          | <b>\$ 7,596</b>                            | <b>\$ -</b>       | <b>\$ 21,095</b>  | <b>\$ 20,608</b>  |
| <b>Stockholder's Equity</b>                       |  |                   |                   |                   |
| Common Stock                                      | \$ 1                                       | \$ 1              | \$ 1              | \$ 1              |
| Additional Paid-in Capital                        | 149,999                                    | 149,999           | 149,999           | 149,999           |
| Retained Earnings                                 | 644,733                                    | 483,876           | 341,933           | 190,828           |
| <b>Total Stockholder's Equity</b>                 | <b>\$ 794,733</b>                          | <b>\$ 633,876</b> | <b>\$ 491,933</b> | <b>\$ 340,828</b> |
| <b>Total Liabilities and Stockholder's Equity</b> | <b>\$ 802,329</b>                          | <b>\$ 633,876</b> | <b>\$ 513,028</b> | <b>\$ 361,436</b> |

See Independent Auditors' Report and Notes to Financial Statements

**B-Bop's Franchising Corporation**

Statements of Income  
For the Years Ended December 31, 2024, 2023, 2022, and 2021

|                          | <u>2024</u>              | <u>2023</u>              | <u>2022</u>              | <u>2021</u>             |
|--------------------------|--------------------------|--------------------------|--------------------------|-------------------------|
| Operating Revenue        |                          |                          |                          |                         |
| Royalties                | <u>171,308</u>           | <u>153,244</u>           | <u>168,937</u>           | <u>155,330</u>          |
| Total Operating Revenue  | <u>\$ 171,308</u>        | <u>\$ 153,244</u>        | <u>\$ 168,937</u>        | <u>\$ 155,330</u>       |
| Operating Expenses       |                          |                          |                          |                         |
| Professional Fees        | \$ 22,283                | \$ 20,398                | \$ 20,472                | \$ 14,989               |
| Salaries                 | -                        | -                        | -                        | 100,000                 |
| Payroll taxes            | -                        | -                        | -                        | 1,450                   |
| Bank Charges             | <u>572</u>               | <u>502</u>               | <u>504</u>               | <u>519</u>              |
| Total Operating Expenses | <u>\$ 22,855</u>         | <u>\$ 20,900</u>         | <u>\$ 20,976</u>         | <u>\$ 116,958</u>       |
| Income From Operations   | <u>\$ 148,453</u>        | <u>\$ 132,344</u>        | <u>\$ 147,961</u>        | <u>\$ 38,372</u>        |
| Other Income             |                          |                          |                          |                         |
| Interest Income          | <u>\$ 20,000</u>         | <u>\$ 9,599</u>          | <u>\$ 3,144</u>          | <u>\$ 3,506</u>         |
| Total Other Income       | <u>\$ 20,000</u>         | <u>\$ 9,599</u>          | <u>\$ 3,144</u>          | <u>\$ 3,506</u>         |
| Net Income               | <u><u>\$ 168,453</u></u> | <u><u>\$ 141,943</u></u> | <u><u>\$ 151,105</u></u> | <u><u>\$ 41,878</u></u> |

See Independent Auditors' Report and Notes to Financial Statements

**B-Bop's Franchising Corporation**

Statements of Stockholder's Equity  
For the Years Ended December 31, 2024, 2023, 2022, and 2021

|                              | Capital Stock | Additional<br>Paid-in Capital | Retained<br>Earnings | Total             |
|------------------------------|---------------|-------------------------------|----------------------|-------------------|
| Balance at January 1, 2021   | \$ -          | \$ 149,999                    | \$ 148,950           | \$ 298,950        |
| <b>Net Income</b>            | <u>\$ -</u>   | <u>\$ -</u>                   | <u>\$ 41,878</u>     | <u>\$ 41,878</u>  |
| Balance at December 31, 2021 | \$ 1          | \$ 149,999                    | \$ 190,828           | \$ 340,828        |
| <b>Net Income</b>            | <u>\$ -</u>   | <u>\$ -</u>                   | <u>\$ 151,105</u>    | <u>\$ 151,105</u> |
| Balance at December 31, 2022 | <u>\$ 1</u>   | <u>\$ 149,999</u>             | <u>\$ 341,933</u>    | <u>\$ 491,933</u> |
| <b>Net Income</b>            | <u>\$ -</u>   | <u>\$ -</u>                   | <u>\$ 141,943</u>    | <u>\$ 141,943</u> |
| Balance at December 31, 2023 | <u>\$ 1</u>   | <u>\$ 149,999</u>             | <u>\$ 483,876</u>    | <u>\$ 633,876</u> |
| <b>Net Income</b>            | \$ -          | \$ -                          | \$ 168,453           | \$ 141,943        |
| <b>Distributions</b>         | <u>\$ -</u>   | <u>\$ -</u>                   | <u>\$ (7,596)</u>    | <u>\$ (7,596)</u> |
| Balance at December 31, 2024 | <u>\$ 1</u>   | <u>\$ 149,999</u>             | <u>\$ 644,733</u>    | <u>\$ 794,733</u> |

See Independent Auditors' Report and Notes to Financial Statements

**B-Bop's Franchising Corporation**

Statements of Cash Flows  
For the Years Ended December 31, 2024, 2023, 2022, and 2021

|   | 2024               | 2023               | 2022              | 2021              |
|---|--------------------|--------------------|-------------------|-------------------|
| Cash Flows from Operating Activities  |                    |                    |                   |                   |
| Cash Provided by Operating Activities   |                    |                    |                   |                   |
| Operating Revenue   | \$ 171,308         | \$ 153,244         | \$ 168,937        | \$ 155,330        |
| Interest Accrued  | 20,000             | 9,599              | 3,144             | 3,506             |
| Reconciliation of Net Income to Net Cash<br>Provided by Operating Activities: |                    |                    |                   |                   |
| Franchise Fee Receivable  | \$ (30,422)        | \$ (1,732)         | \$ 203            | \$ (2,318)        |
| Accounts Payable  | 7,596              | (487)              | 487               | (41,912)          |
|   | <u>\$ 168,482</u>  | <u>\$ 160,624</u>  | <u>\$ 172,771</u> | <u>\$ 114,606</u> |
| Cash Disbursed for Operating Activities:                                      |                    |                    |                   |                   |
| Professional Fees   | \$ (22,283)        | \$ (20,398)        | \$ (20,472)       | \$ (14,989)       |
| Bank Charges  | (572)              | (502)              | (504)             | (519)             |
| Salaries  | -                  | -                  | -                 | (100,000)         |
| Payroll Taxes   | -                  | -                  | -                 | (1,450)           |
|   | <u>\$ 145,627</u>  | <u>\$ 139,724</u>  | <u>\$ 151,795</u> | <u>\$ (2,352)</u> |
| Net Cash Provided (Used) by Operating Activities                              |                    |                    |                   |                   |
| Cash Flows from Investing Activities:   |                    |                    |                   |                   |
| Investment in Note Receivable - Related Party                                 | \$ -               | \$ (20,608)        | \$ 32,380         | \$ -              |
| Investment in Note Receivable - Shareholder                                   | (62,579)           | (3,222)            | (3,144)           | (3,034)           |
|   | <u>\$ (62,579)</u> | <u>\$ (23,830)</u> | <u>\$ 29,236</u>  | <u>\$ (3,034)</u> |
| Net Cash Provided (Used) by Investing Activities                              |                    |                    |                   |                   |
| Cash Flows from Financing Activities:   |                    |                    |                   |                   |
| Shareholder Distributions   | \$ (7,596)         | \$ -               | \$ -              | \$ -              |
|   | <u>\$ (7,596)</u>  | <u>\$ -</u>        | <u>\$ -</u>       | <u>\$ -</u>       |
| Net Cash Used by Financing Activities   |                    |                    |                   |                   |
| Net Increase (Decrease) in Cash and Cash Equivalents                          | \$ 75,452          | \$ 115,894         | \$ 181,031        | \$ (5,386)        |
| Cash and Cash Equivalents at Beginning of Year                                | <u>\$ 467,403</u>  | <u>\$ 351,509</u>  | <u>\$ 170,478</u> | <u>\$ 175,864</u> |
| Cash and Cash Equivalents at End of Year                                      | <u>\$ 542,855</u>  | <u>\$ 467,403</u>  | <u>\$ 351,509</u> | <u>\$ 170,478</u> |

See Independent Auditors' Report and Notes to Financial Statements

**B-BOP'S FRANCHISING CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2024**

---

**Note 1 Nature of business and significant accounting policies**

Nature of business:

B-Bop's Franchising Corporation ("the Company") was formed as a corporation to franchise B-Bop's restaurants throughout the United States. The Company had two franchise agreements during the year ended December 31, 2024.

Significant accounting policies:

Comparative Data

The amounts shown for the years ended December 31, 2023, 2022, and 2021 in the accompanying financial statements are included to provide a basis for comparison with 2024. Accordingly, the 2023, 2022, and 2021 totals are not intended to present all information necessary for a fair presentation in conformity with accounting principles generally accepted in the United States of America. Such information should be read in conjunction with the Company's financial statements for the years ended December 31, 2023, 2022, and 2021 from which the information was derived.

Reclassification

Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements.

Basis of Accounting

The accounting records are maintained on the accrual basis of accounting, recording income and expenses when incurred. The financial statements present the financial position and changes in stockholder's equity in conformity with generally accepted accounting principles.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash Equivalents

The Corporation considers all highly liquid debt instruments purchased with a maturity at inception of three months or less to be cash equivalents.

Franchise Fee Receivable

The franchise fee receivable is stated at the amount management expects to collect from outstanding balances. Management does not consider an allowance for doubtful accounts necessary.

See Independent Auditors' Report

**B-BOP'S FRANCHISING CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2024**

---

**Note 1 Nature of business and significant accounting policies (continued)**

Amortization

The licensed system was initially being amortized over 15 years. In accordance with the authoritative guidance for intangible assets with indefinite lives issued in June 2001, amortization of the licensed system ceased as of June 30, 2002, and the Company evaluates the licensed system on an annual basis for potential impairment. There was no impairment for the year ended December 31, 2024.

Revenue Recognition Under Topic 606

Revenue is recognized when promised goods are transferred to customers in an amount that reflects the consideration that the Company expects to be entitled in exchange for those goods by following a five-step process, (1) identify the contract with a customer, (2) identify the performance obligations in the contract, (3) determine the transaction price, (4) allocate the transaction price, and (5) recognize revenue when or as the Company satisfies a performance obligation. The Company has assessed revenue recognition under the five-step process, as follows:

*Identify the contract with a customer.* The Company generally considers a contract with a customer to be a signed or oral agreement to enter into a franchise agreement/contract provided that collection is considered probable, which is assessed based on the creditworthiness of the customer as determined by credit checks, payment histories, and/or other circumstances.

*Identify the performance obligations in the contract.* The performance obligations include the right of use of the franchise license and right to operate a B-Bop's Franchise.

*Determine the transaction price.* The transaction price for the Company's contracts with its customers for franchise fees consists of fixed consideration as identified in the contract. Fixed consideration includes amounts to be contractually billed to the customer and payable in cash. The Company generally invoices customers at the time both parties agree to enter into a franchise contract. Customer invoices are generally due within 30 days after issuance. The transaction price for royalty fees is determined to be 5% of gross sales of the franchise each month. The Company's contracts with customers typically do not include financing components as the period between the transfer of performance obligations and timing of payment are generally within one month.

*Allocate the transaction price to the performance obligations in the contract.* The Company's contracts with customers generally consist of two performance obligations, which is the right to purchase the use of the franchise license and then the right to use the license over the term of the contract.

*Recognize revenue when or as the Company satisfies a performance obligation.* Revenues for franchise fees are recognized at a point in time, which is generally upon oral or written agreement for a franchise contract, which, at this point, right to use the franchise license passes to the customer. Management exercises judgment in determining when such performance obligations for goods have been satisfied. Revenue is also recognized over time as the royalty income per the contract is based on a percentage of gross sales of the franchise and is recognized on a monthly basis when they are earned per the agreement.

See Independent Auditors' Report

**B-BOP'S FRANCHISING CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2024**

---

**Note 1 Nature of business and significant accounting policies (continued)**

Income Taxes

The Company has elected under section 1362(a) of the Internal Revenue Code of 1986 to be taxed as an "S" corporation effective July 1, 2002. Earnings and losses after that date will be included in the personal income tax returns of the stockholder and taxed depending on his personal tax strategies. Accordingly, the Company will not incur additional income tax obligations, and future financial statements will not include a provision for income taxes. The Company has filed for and received acknowledgement from the IRS in the various jurisdictions where it is required to do so. The Company files a form 1120S tax return in the U.S. federal jurisdiction and the applicable return in the state of Iowa.

In response to House File 352 the Company has elected to pay a newly imposed Iowa Pass-Through Entity Tax ("PTET") on behalf of the shareholder. This tax is assessed as 6.04% of the Company's Iowa-source S Corporation distributive items and is applied to reduce the shareholder's proportionate share of federal taxable income reportable on their personal income tax return. Accordingly, the shareholder recognizes a federal income tax benefit as if the shareholder's state income tax was fully deductible on the shareholder's personal federal income tax return. Since the income tax benefits associated with the PTET exclusively benefit the shareholder, the tax is recognized as a distribution to that shareholder. The shareholder's distributions include \$7,596 representing that shareholder's share of the PTET paid on their behalf for the year ended December 31, 2024.

**Note 2 Related Party Transactions**

B-Bop's Franchising Corp. has a receivable from the sole shareholder in the amount of \$194,917 for the year ended December 31, 2024, \$132,338 for the year ended December 31, 2023, \$129,116 for the year ended December 31, 2022, and \$125,973 for the year ended December 31, 2021. No payments are expected to be made within one year of the financial statement date.

Interest income related to the receivable above was \$4,758 for the year ended December 31, 2024, \$3,222 for the year ended December 31, 2023, \$3,144 for the year ended December 31, 2022, and \$3,506 for the year ended December 31, 2021.

B-Bop's, Inc. (a common paymaster) paid salaries and payroll taxes for the Company. The amount paid for salaries and payroll taxes was \$0 for the year ended December 31, 2024, \$0 for the year ended December 31, 2023, \$0 for the year ended December 31, 2022 and \$101,450 for the year ended December 31, 2021. These transactions resulted in a payable due to B-Bop's Inc. of \$20,608 for the years ended December 31, 2022 and 2021. No expenses were paid by the common paymaster in 2024 and the full amount of \$20,608 was paid on March 20<sup>th</sup>, 2023.

**Note 3 Franchiser Commitments**

Upon signing a franchise agreement with a franchisee, the Company becomes obligated to provide assistance in connection with the establishment of the franchise including site approval, construction specifications, training course, access to the operations manual, and equipment and supply purchasing specifics. Upon the establishment of the franchise, the Company is obligated to provide additional services during the term of the agreement including development of advertising, support trips, operating

See Independent Auditors' Report

**B-BOP'S FRANCHISING CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2024**

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**Note 3 Franchiser Commitments (continued)**

assistance, updates to systems or marks, and additional training. The franchise agreements have an original term of 15 years with renewal options that are for two additional five-year periods or one additional ten-year period.

**Note 4 Concentrations of Credit Risk**

The Company maintains its cash balances in one financial institution located in Urbandale, Iowa. The balances are insured by the Federal Deposit Insurance Corporation up to \$250,000. At December 31, 2024 the Company's uninsured cash balances totaled \$292,855.

**Note 5 Subsequent Events**

Management of the Company has evaluated subsequent events through April 25, 2025, the date which the financial statements were available to be issued.

See Independent Auditors' Report

**EXHIBIT H**  
**STATE SPECIFIC ADDENDA**

ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT  
FOR STATE OF MINNESOTA

To the extent the Minnesota Franchise Act, Minn. Stat. §§80C.01 – 80C.22 applies, the terms of this Addendum apply.

Item 17, Additional Disclosures:

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.

**EXHIBIT I**

**RECEIPTS**

RECEIPT  
(Your Copy)

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 the Company 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.

If the Company 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 and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and the appropriate state agency as referenced in Exhibit A.

The name, principal business address and telephone number of each franchise seller offering the franchise is B-Bop's Franchising Corp., 2900 100<sup>th</sup> St., Suite 302, Urbandale, Iowa 50322.

Issuance Date: April 25, 2025

See Exhibit A for our registered agents authorized to receive service of process.

I have received a disclosure document dated April 25, 2025 that included the following Exhibits:

|  |           |
|--|-----------|
| State Administrator List   | Exhibit A |
| Agents for Service of Process  | Exhibit B |
| Franchise Agreement (with attached<br>Personal Guaranty)                 | Exhibit C |
| Multiple-Unit Development Agreement<br>(with attached Personal Guaranty) | Exhibit D |
| Application Agreement  | Exhibit E |
| Operations Manual - Table of Contents                                    | Exhibit F |
| Financial Statements   | Exhibit G |
| State Specific Addenda   | Exhibit H |
| Receipts   | Exhibit I |

FRANCHISEE:

\_\_\_\_\_  
Date

\_\_\_\_\_  
  
\_\_\_\_\_  
  
(This copy to be retained by you)

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(Our Copy)

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| Receipts   | Exhibit I |

FRANCHISEE:

\_\_\_\_\_  
Date

\_\_\_\_\_  
\_\_\_\_\_  
(This copy to be returned to the Company)

#14906909

OC/4/25/25/MN