

Document. Certain fees that we have indicated may increase over the term of the Franchise Agreement.

2. **Royalty.** “Gross Sales” means the total of all of your revenues, sales and other income and consideration from the sale of all Barrio Burrito Bar merchandise, products and services to your customers whether or not sold or performed at or from the physical location of the Barrio Burrito Bar Business, and whether received in cash, coupon, in services in kind, from barter or exchange, on credit (whether or not payment is received) or otherwise. Gross Sales includes all proceeds from any business interruption insurance. If you offer any services, all receipts from these services are included in Gross Sales. You may deduct from Gross Sales for purposes of this computation (but only to the extent they have been included) the amount of all sales tax receipts or similar tax receipts which, by law, are chargeable to customers, if the taxes are separately stated when the customer is charged and if the taxes are paid to the appropriate taxing authority. You may also deduct from Gross Sales the amount of any documented refunds, chargebacks, credits, charged tips and allowances you give in good faith to your customers. All barter or exchange transactions in which you furnish products or services in exchange for products or services provided to you by a vendor, supplier or customer will, for the purpose of determining Gross Sales, be valued at the full retail value of the products or services so provided to you. Gross Sales will also include any insurance proceeds due to business interruption as a result of your Barrio Burrito Bar Business being closed as a result of a casualty event or any other reason. We reserve the right to institute policies in the Franchise Operations Manual or otherwise in writing and from time to time, regarding the inclusion in Gross Sales of any pre-paid goods or services (including, without limitation, gift cards and gift certificates) and their delivery and redemption.

3. **Liquidated Damages.** Liquidated damages are determined by multiplying the combined monthly average of Royalties and Brand Fund Contributions (without regard to any fee waivers or other reductions) that are owed by you to us, beginning with the date you open your Barrio Burrito Bar Business through the date of early termination, multiplied by the lesser of: (i) 36; or (ii) the number of months remaining in the term of the Franchise Agreement, except that liquidated damages will not, under any circumstances, be less than \$30,000.

**ITEM 7
ESTIMATED INITIAL INVESTMENT**

YOUR ESTIMATED INITIAL INVESTMENT

Single Franchise

Type of Expenditure	Amount		Method of Payment	When Due	To Whom Payment is to be Paid
	Low	High			
Initial Franchise Fee ⁽¹⁾	\$25,000	\$25,000	Lump Sum	When you sign the Franchise Agreement	Us
Leasehold Improvements ⁽²⁾	\$193,000	\$281,000	As Incurred	As Incurred	Vendors, Landlord, or Suppliers

Type of Expenditure	Amount		Method of Payment	When Due	To Whom Payment is to be Paid
	Low	High			
Deposits and Miscellaneous Site Development Fees ⁽¹²⁾	\$10,000	\$40,000	As Incurred	Before Opening or As Otherwise Incurred	Landlord, Utilities, Government Agencies
Grand Opening ⁽¹³⁾	\$6,000	\$7,500	As Incurred	Before Opening	Us or our Affiliate and/or Suppliers
Pre-paid Insurance ⁽¹⁴⁾	\$1,000	\$2,000	As Incurred	Before Opening	Insurance Company
Design Fee	\$5,000	\$5,000	As incurred	During Design Phase	Designated Supplier
Additional Funds - 3 Months (these figures have not been offset by operating revenues – assumes zero revenue for first 3 months) ⁽¹⁵⁾	\$33,950	\$55,950	As Incurred	As Incurred	Landlord, Employees, Suppliers and Utilities
TOTAL ESTIMATED INITIAL INVESTMENT⁽¹⁶⁾	\$423,320	\$773,900			
Multi Franchise	<p>If you purchase a Multi 3 Franchise under the Multi Franchise Addendum, you will incur all of the costs listed above for each Barrio Burrito Bar Business you open except that the Initial Franchise Fee will total \$50,000 and allow you to open up to three Barrio Burrito Bar Businesses. If you were to open a Multi 3 Franchise to operate three Barrio Burrito Bar Businesses, using the same estimated initial expenses above, we estimate this total cost to range between \$1,244,960 and \$2,296,700. If you purchase a Multi 4 Franchise under the Multi Franchise Addendum, you will incur all of the costs listed above for each Barrio Burrito Bar Business you open except that the Initial Franchise Fee will total \$62,500 and allow you to open up to four Barrio Burrito Bar Businesses. If you were to open a Multi 4 Franchise to operate four Barrio Burrito Bar Businesses, using the same estimated initial expenses above, we estimate this total cost to range between \$1,655,780 and \$3,058,100. If you purchase a Multi 5 Franchise under the Multi Franchise Addendum, you will incur all of the costs listed above for each Barrio Burrito Bar Business you open except that the Initial Franchise Fee will total \$75,000 and allow you to open up to five Barrio Burrito Bar Businesses. If you were to open a Multi 5 Franchise to operate five Barrio Burrito Bar Businesses, using the same estimated initial expenses above, we estimate this total cost to range between \$2,066,600 and \$3,819,500.</p>				

Notes:

These estimated initial expenses are our best estimate of the costs you may incur in establishing and operating your Barrio Burrito Bar Franchise. We do not offer direct or indirect financing for these items. All expenditures paid to us or our affiliates are uniform and non-refundable under any circumstances once paid. All expenses payable to third parties are non-refundable, except as you may arrange for utility deposits and other payments.

1. Initial Franchise Fee. See Item 5 for more information on the Initial Franchise Fee. ~~If you purchase the rights to operate multiple Barrio Burrito Bar Businesses under a Multi-Franchise Addendum, the only additional initial cost that you will incur over the purchase of a single Franchise will be the applicable Multi-Franchise Initial Franchise Fee until you open the additional Barrio Burrito Bar Business. Once you open additional Barrio Burrito Bar Businesses, you will incur the costs listed in this Item 7 (except for the Initial Franchise Fee) at the time you open the additional Barrio Burrito Bar Businesses. These costs may increase in the future depending on when you open the additional Barrio Burrito Bar Businesses. The estimate does not include the build-out of any Barrio Burrito Bar Business other than the first one.~~
2. Leasehold Improvements. This estimate does not include any construction allowances that may be offered by your landlord or a fixturing period that will negate the need to pay rent during the fixturing of your Barrio Burrito Bar Business. This estimate includes setup expenses you will incur in building out your location, including all costs required to set up the equipment. Actual building and construction costs will vary depending upon the condition and size of the premises for your Barrio Burrito Bar Business and local construction costs.
3. Project Management Fee. See Item 5. The high estimate assumes you will choose to have us provide project management assistance services for pre-opening services, and the low estimate assumes that you will not elect to do so. The Project Management Fee covers only such project management services that we provide. Construction, architect, general contractor, and other such costs relating to services provided by third-party suppliers or professionals are not included in this fee and are accounted for elsewhere in this Item 7.
4. Pre-Opening Rent. This estimate includes three months of gross lease payments and is based on a premises of approximately 1,100 square feet. It includes estimates for common area maintenance (CAM) and taxes. Your actual rent payments may vary depending upon your location and your market's retail lease rates. See Note 9 below for utility, security and lease deposit estimates. If you choose to purchase the premises for your Barrio Burrito Bar Business, then the purchase price, down payment, interest rates, and other financing terms will determine your monthly mortgage payments. The low estimate assumes that rent will not be charged until the buildout of the premises is complete due to a negotiated fixturing period provided by your Landlord and includes three months of rent. The high estimate includes six months of rent.
5. Wages, Travel and Living Expenses for Initial Training. We provide an initial training program at a location designated by us at our discretion (either in our training facility in Ajax, Ontario, Canada or an existing Burrito Bar-branded location in Michigan). If training is provided at a location other than your Barrio Burrito Bar Business, you must pay for airfare, meals, transportation costs, lodging and incidental expenses for all initial training program attendees, as well as those of the representative of ours who conducts your on-site training. Provided they attend at the same time, initial training is provided to you at no charge for up to two people, including you (or your Responsible Owner, if you are an entity) and your Franchise Manager, if you have one; if additional initial training is required, or if more people must be trained, an additional fee will be assessed.

14. Pre-paid Insurance. You must obtain and maintain, at your own expense, the insurance coverage we require, and satisfy other insurance-related obligations. This estimate includes pre-paid insurance expenses for one year. Please note that if you have had prior issues or claims from previous operations unrelated to the operation of a Barrio Burrito Bar Business, your rates may be significantly higher than those estimated above.
15. Additional Funds. These amounts represent our estimate of the amount needed to cover your expenses for the initial three-month following the opening of your Barrio Burrito Bar Business. They include payroll for approximately two full-time and eight part-time employees, administrative, rent, janitorial, maintenance, utilities, professional services (such as a business advisor), and other items. These figures include three months' payments of POS fees and other subscription services, estimated to be \$650 per month, you are required to use to operate your Barrio Burrito Bar Business. These figures do not include standard pre-opening expenses, Royalties, or advertising fees payable under the Franchise Agreement or debt service, and assume that none of your expenses are offset by any sales generated during the start-up phase. These estimates assume that your landlord will cover the real estate broker's fees. These fees could also be included in our Additional Funds amounts. For purposes of this disclosure, we estimated the start-up phase to be three months from the date your Barrio Burrito Bar Business opens for business. These figures are estimates, and we cannot guarantee that you will not have additional expenses starting your Barrio Burrito Bar Business. Our estimates are based on our franchising experience since 2017 as well as the experience of our affiliate, BBR since 2009, and our current requirements for Barrio Burrito Bar Businesses in formulating these amounts.
16. This is an estimate of your initial start-up expenses for one Barrio Burrito Bar Franchise.

Multi-3 Franchise

<u>Type of Expenditure</u>	<u>Amount</u>		<u>Method of Payment</u>	<u>When Due</u>	<u>To Whom Payment is to be Paid</u>
	<u>Low</u>	<u>High</u>			
<u>Initial Franchise Fee⁽¹⁾</u>	<u>\$50,000</u>	<u>\$50,000</u>	<u>Lump Sum</u>	<u>When you sign the Franchise Agreement</u>	<u>Us</u>
<u>Total Estimated Initial Investment for a Single Outlet⁽²⁾</u>	<u>\$398,320</u>	<u>\$748,900</u>	<u>Per Table Above</u>	<u>Per Table Above</u>	<u>Per Table Above</u>
<u>TOTAL ESTIMATED INITIAL INVESTMENT FOR THREE OUTLETS UNDER A MULTI-3 FRANCHISE⁽³⁾</u>	<u>\$1,244,960</u>	<u>\$2,296,700</u>			

Multi-4 Franchise

<u>Type of Expenditure</u>	<u>Amount</u>		<u>Method of Payment</u>	<u>When Due</u>	<u>To Whom Payment is to be Paid</u>
	<u>Low</u>	<u>High</u>			
<u>Initial Franchise Fee⁽¹⁾</u>	<u>\$62,500</u>	<u>\$62,500</u>	<u>Lump Sum</u>	<u>When you sign the Franchise Agreement</u>	<u>Us</u>
<u>Total Estimated Initial Investment for a Single Outlet⁽²⁾</u>	<u>\$398,320</u>	<u>\$748,900</u>	<u>Per Table Above</u>	<u>Per Table Above</u>	<u>Per Table Above</u>
<u>TOTAL ESTIMATED INITIAL INVESTMENT FOR FOUR OUTLETS UNDER A MULTI-4 FRANCHISE⁽³⁾</u>	<u>\$1,655,780</u>	<u>\$3,058,100</u>			

Multi-5 Franchise

<u>Type of Expenditure</u>	<u>Amount</u>		<u>Method of Payment</u>	<u>When Due</u>	<u>To Whom Payment is to be Paid</u>
	<u>Low</u>	<u>High</u>			
<u>Initial Franchise Fee⁽¹⁾</u>	<u>\$75,000</u>	<u>\$75,000</u>	<u>Lump Sum</u>	<u>When you sign the Franchise Agreement</u>	<u>Us</u>
<u>Total Estimated Initial Investment for a Single Outlet⁽²⁾</u>	<u>\$398,320</u>	<u>\$748,900</u>	<u>Per Table Above</u>	<u>Per Table Above</u>	<u>Per Table Above</u>
<u>TOTAL ESTIMATED INITIAL INVESTMENT FOR FIVE OUTLETS UNDER A MULTI-5 FRANCHISE⁽³⁾</u>	<u>\$2,066,600</u>	<u>\$3,819,500</u>			

Notes:

These estimated initial expenses are our best estimate of the costs you may incur in establishing and operating your Barrio Burrito Bar Multi-Franchise. We do not offer direct or indirect financing for these items. All expenditures paid to us or our affiliates are uniform and non-refundable under any circumstances once paid. All expenses payable to third parties are non-refundable, except as you may arrange for utility deposits and other payments.

1. Initial Franchise Fee. See Item 5 for more information on the Initial Franchise Fee. If you purchase the rights to operate multiple Barrio Burrito Bar Businesses under a Multi-Franchise Addendum, the only additional initial cost that you will incur over the purchase of a single Franchise will be the applicable Multi-Franchise Initial Franchise Fee until you open the additional Barrio Burrito Bar Business. Once you open additional Barrio Burrito Bar Businesses, you will incur the costs listed in this Item 7 for the Single Franchise (except for the Initial Franchise Fee) at the time you open the additional Barrio Burrito Bar Businesses. These costs may increase in the future depending on when you open the additional Barrio Burrito Bar Businesses. The estimate does not include the build-out of any Barrio Burrito Bar Business other than the first one.
2. Total Estimated Initial Investment for a Single Outlet. These are the estimates to open your first Barrio Burrito Bar Business as described in the Single Franchise chart above, except for the Initial Franchise Fee for a single Business.

ITEM 8 RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

You must operate your Barrio Burrito Bar Business according to our System and specifications. This includes purchasing or leasing products, services, supplies, fixtures, equipment, inventory, computer hardware and software, and real estate related to establishing and operating the Barrio Burrito Bar Franchise under our specifications, which may include purchasing these items from: (i) our designees; (ii) approved suppliers; and/or (iii) us or our affiliates. You must not deviate from these methods, standards and specifications without our prior written consent, or otherwise operate in any manner which reflects adversely on our Marks or the System.

Our confidential operations manual (“Franchise Operations Manual”) states our standards, specifications and guidelines for all products and services we require you to obtain in establishing and operating your Barrio Burrito Bar Franchise and approved vendors for these products and services. We will notify you of new or modified standards, specifications and guidelines through periodic amendments or supplements to the Franchise Operations Manual or through other written communication (including electronic communication such as email or through a system-wide intranet). If we do not require you to use a designated source or approved supplier for a particular item, you may purchase the item from any vendor you choose so long as your purchases conform to our System and specifications. We may restrict the sourcing of current and future items.

You must purchase, install, maintain in sufficient supply and use fixtures, furnishings, equipment, signs and supplies that conform to the standards and specifications described in the Franchise Operations Manual or otherwise in writing. You are required to use our designated designer in Canada for design/architectural drawings for each Barrio Burrito Bar Business. You are required to use our designated supplier for site scans and 3D imaging during the construction process of your Barrio Burrito Bar Business. You must also use our designated supplier for our POS, gift cards, and loyalty program.

We may utilize proprietary food products and recipes and may continue to develop and own proprietary recipes. In order to protect our trade secrets and to monitor the manufacture, packaging, processing and sale of proprietary food products, we or our affiliates may: (i) manufacture, supply and sell proprietary food products to Barrio Burrito Bar franchisees; and/or (ii) disclose the formula for methods and preparation of the proprietary food products to a limited number of suppliers, including one or more of our affiliates, who we authorize to manufacture these proprietary food products to our precise specifications

CALIFORNIA

State Administrator and Agent for Service of Process:
Commissioner
Department of Financial Protection and Innovation
320 W. 4th Street, #750
Los Angeles, CA 90013
(213) 576-7500
(866) 275-2677

HAWAII

Commissioner of Securities of the State of Hawaii
335 Merchant Street, Room 203
Honolulu, HI 96813
(808) 586-2722

Agent for Service of Process:
Commissioner of Securities of the State of Hawaii
Department of Commerce and Consumer Affairs
Business Registration Division
335 Merchant Street, Room 203
Honolulu, HI 96813
(808) 586-2722

ILLINOIS

Illinois Attorney General
Chief, Franchise Division
500 S. Second Street
Springfield, IL 62706
(217) 782-4465

INDIANA

Secretary of State
Securities Division
Room E-018
302 W. Washington Street
Indianapolis, IN 46204
(317) 232-6681

MARYLAND

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

MARYLAND CONTINUED

Agent for Service of Process:
Maryland Securities Commissioner
200 St. Paul Place
Baltimore, MD 21202-2020

MICHIGAN

Michigan Department of Attorney General
Consumer Protection Division
525 W. Ottawa Street
Lansing, MI 48913
(517) 373-7117

MINNESOTA

Department of Commerce
Commissioner of Commerce
85 Seventh Place East, Suite 280
St. Paul, MN 55101-3165
(651) 539-1600

NEW YORK

Administrator:
NYS Department of Law
Investor Protection Bureau
28 Liberty Street, 21st Floor
New York, NY 10005
(212) 416-8222

Agent for Service of Process:
Secretary of State
99 Washington Avenue
Albany, NY 12231

NORTH DAKOTA

Administrator:
North Dakota Insurance and Securities
Department
600 East Boulevard Avenue
~~State Capitol, Fourteenth Floor, Dept. 414~~
Bismarck, ND 58505-0510
(701) 328-47122910

Agent for Service of Process:
~~Securities~~Insurance Commissioner
600 East Boulevard Avenue
~~State Capitol, Fourteenth Floor, Dept. 414~~
Bismarck, ND 58505-0510

RHODE ISLAND

Department of Business Regulation
1511 Pontiac Avenue, Bldg. 68-2
Cranston, RI 02920
(401) 462-9527

SOUTH DAKOTA

Division of Insurance
Securities Regulation
124 South Euclid, Suite 104
Pierre, SD 57501
(605) 773-3563

VIRGINIA

State Corporation Commission
Division of Securities and Retail Franchising
1300 E. Main Street, 9th Floor
Richmond, VA 23219

Agent for Service of Process:
Clerk of the State Corporation Commission
1300 E. Main Street, 1st Floor
Richmond, VA 23219

WASHINGTON

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

Agent for Service for Process:

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

WISCONSIN

Department of Financial Institutions
Division of Securities
201 W. Washington Avenue
Madison, WI 53703
(608) 266-3364

4. The following language replaces the “Summary” section of Item 17(d), titled “**Termination by franchisee**”: You may terminate the agreement on any grounds available by law.

5. The following is added to the end of the “Summary” sections of Item 17(v), titled “**Choice of forum**,” and Item 17(w), titled “**Choice of law**”:

The foregoing choice of law should not be considered a waiver of any right conferred upon the franchisor or the franchisee by Article 33 of the General Business Law of the State of New York.

6. Franchise Questionnaires and Acknowledgements - 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.

7. Receipts - Any sale made must be in compliance with § 683(8) of the Franchise Sale Act (N.Y. Gen. Bus. L. § 680 et seq.), which describes the time period a Franchise Disclosure Document (offering prospectus) must be provided to a prospective franchisee before a sale may be made. New York law requires a franchisor to provide the Franchise Disclosure Document at the earlier of the first personal meeting, ten (10) business days before the execution of the franchise or other agreement, or the payment of any consideration that relates to the franchise relationship.

NORTH DAKOTA

Sections of the FDD, the Franchise Agreement, and the Supplemental Agreements requiring that you sign a general release, estoppel or waiver as a condition of renewal and/or assignment may not be enforceable as they relate to releases of the North Dakota Franchise Investment Law.

Sections of the FDD, the Franchise Agreement, and the Supplemental Agreements requiring resolution of disputes to be outside North Dakota may not be enforceable under Section 51-19-09 of the North Dakota Franchise Investment Law, and are amended accordingly to the extent required by law.

Sections of the FDD, the Franchise Agreement, and the Supplemental Agreements relating to choice of law may not be enforceable under Section 51-19-09 of the North Dakota Franchise Investment Law, and are amended accordingly to the extent required by law.

The State of North Dakota has determined that parties agreeing to the arbitration or mediation of disputes at a location that is remote from the site of the franchisee’s business is unfair, unjust, or inequitable within the intent of Section 51-19-09 of the North Dakota Franchise Investment Law. The site of arbitration or mediation will be agreeable to all parties and may not be remote from the franchisee’s place of business.

The State of North Dakota has determined that requiring a franchisee to consent to a limitation of claims to be unfair, unjust, and inequitable within the intent of Section 51-19-09 of the North Dakota Franchise Investment Law. The limitation of claims period is governed by North Dakota law.

The State of North Dakota has determined that requiring a franchisee pay all costs and expenses incurred by the franchisor in enforcing the agreement to be unfair, unjust and inequitable within the intent

of Section 51-19-09 of the North Dakota Franchise Investment Law. Therefore, the prevailing party in any enforcement action is entitled to recover all costs and expenses including attorney's fee.

Any section of the FDD, the Franchise Agreement, and the Supplemental Agreements requiring you to consent to liquidated damages and/or termination penalties may not be enforceable under Section 51-19-09 of the North Dakota Franchise Investment Law, and are amended accordingly to the extent required by law.

Any sections of the FDD, the Franchise Agreement, and the Supplemental Agreements requiring you to consent to a waiver of trial by jury may not be enforceable under Section 51-19-09 of the North Dakota Franchise Investment Law, and are amended accordingly to the extent required by law.

Any sections of the FDD, the Franchise Agreement, and the Supplemental Agreements requiring you to consent to a waiver of exemplary and punitive damages may not be enforceable under Section 51-19-09 of the North Dakota Franchise Investment Law, and are amended accordingly to the extent required by law.

Item 17(r) of the FDD and Section 14 of the Franchise Agreement disclose the existence of certain covenants restricting competition to which Franchisee must agree. The Commissioner has held that covenants restricting competition contrary to Section 9-08-06 of the North Dakota Century Code, without further disclosing that such covenants may be subject to this statute, are unfair, unjust, or inequitable within the intent of Section 51-19-09 of the North Dakota Franchise Investment Law. The FDD and the Franchise Agreement are amended accordingly to the extent required by law.

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.

OHIO

The following language will be added to the front page of the Franchise Agreement:

You, the purchaser, may cancel this transaction at any time prior to midnight of the fifth business day after the date you sign this agreement. See the attached notice of cancellation for an explanation of this right.

Initials _____ Date _____

NOTICE OF CANCELLATION

_____ (enter date of transaction)

You may cancel this transaction, without penalty or obligation, within five business days from the above date. If you cancel, any payments made by you under the agreement, and any negotiable instrument executed by you will be returned within ten business days following the seller's receipt of your cancellation notice, and any security interest arising out of the transaction will be cancelled. If you cancel, you must make available to the seller at your business address all goods delivered to you under this agreement; or you may, if you wish, comply with the instructions of the seller regarding the return shipment of the goods at the seller's expense and risk. If you do make the goods available to the seller and the seller does not pick