

FRANCHISE DISCLOSURE DOCUMENT



FRANKNFURTERS FRANCHISING LLC

4250 N Drinkwater Blvd., Suite #165

Scottsdale, AZ 85251

888-303-3399/ www.frank-furters.com/ [franchise@frank-](mailto:franchise@frank-furters.com)

furters.com

www.frank-furters.com

franchise@frank-furters.com

We offer franchises for the operation of restaurants under the “Frank & Furter’s” name that offer hot dogs, sausages, and burgers with a variety of toppings as well as fresh-cut fries, shakes, and other foods and beverages including wine and beer where permitted by law on an eat-in or take out basis in a family-friendly warm, and lively environment (a “Restaurant”).

The total investment necessary to begin operation of a [Frank & Furter’s Restaurant](#) is ~~estimated to be between \$342,150 and \$815,300~~ [\\$351,400-874,550](#). This amount includes ~~\$35,000~~ [\\$38,150](#) that must be paid to ~~us or franchisor~~ [our affiliates](#).

The total investment necessary to ~~obtain~~ [begin operation of a Frank & Furter’s Development Agreement](#) is [\\$403,900-1,109,550](#), which includes the estimated initial investment for your first Restaurant and the fees associated with [securing development rights in the Development Area](#). This amount includes ~~\$50,000 and \$225,000~~ [that must be paid to us or franchisor or our affiliates](#).

[The development rights for the operation of three or more Restaurants](#) ~~ranges from \$52,500 to \$235,000~~ (which assumes, on the low end, two (2) additional Restaurants and nine (9) additional Restaurants on the high end). ~~This includes a Development Fee between \$50,000 and \$225,000 that must be paid to us or our affiliate.~~

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

You may wish to receive your Disclosure Document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact Lyle Myers, Franknfurters Franchising LLC, 4250 N Drinkwater Blvd, Suite #165, Scottsdale, Arizona 85251, and 888-303-3399.

The terms of your contract will govern your franchise relationship. Do not rely on this 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 made available by the Federal Trade Commission. You can contact the FTC at 1-877-FTC-HELP or by writing to the FTC at 600 Pennsylvania Avenue, NW, Washington, D.C. 20580. You can also visit the FTC’s home page at www.ftc.gov for additional information. Call your state agency or

visit your public library for other sources of information on franchising.

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

Issuance Date: April ~~1030~~, 2024~~5~~

How to Use This Franchise Disclosure Document

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

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

What You Need to Know About Franchising Generally

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

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

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

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

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

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

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

Some States Require Registration

Your state may have a franchise law, or other law, that requires franchisors to register before offering or selling franchises in the state.

Registration does not mean that the state recommends the franchise or has verified the information in this document. To find out if your state has a registration requirement, or to contact your state, use the agency information in [Exhibit A](#).

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

Special Risks to Consider About This Franchise

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

1. **Out-of-State Dispute Resolution.** The franchise agreement requires you to resolve disputes with us by mediation, arbitration, and/or litigation only in Arizona. Out-of-state mediation, arbitration, or litigation may force you to accept a less favorable settlement for disputes. It may also cost you more to mediate, arbitrate, or litigate with us in Arizona than in your home state.
2. **Short Operating History.** The franchisor is at an early stage of development and has a limited operating history. This franchise is likely to be a riskier investment than a franchise in a system with a longer operating history.
3. **Financial Condition.** The Franchisor's financial condition as reflected in its financial statements (see Item 21) calls into question the Franchisor's financial ability to provide services and support to you.
4. **Supplier Control.** You must purchase all or nearly all of the inventory & supplies necessary to operate your business from Franchisor, its affiliates, or from suppliers that Franchisor designates at prices that the Franchisor or they set. These prices may be higher than prices you could obtain elsewhere for the same or similar goods. This may reduce the anticipated profit of your franchised business.
5. **Spousal Liability.** Your spouse may be required, depending upon the laws of your state, to sign a document that makes your marital community liable for all financial obligations under the franchise agreement even if your spouse has no ownership interest in the franchise. This guaranty will, if required, place your and your spouse's marital assets, perhaps including your house, at risk if your franchise fails.
6. **Minimum Advertising, and Other Payments.** You must make minimum advertising, and other payments, regardless of your sales levels. Your inability to make the payments may result in termination of your franchise and loss of your investment.

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

TABLE OF CONTENTS

ITEM 1 THE FRANCHISOR AND ANY PARENTS, PREDECESSORS, AND AFFILIATES~~13~~
ITEM 2 BUSINESS EXPERIENCE3
ITEM 3 LITIGATION.....3
ITEM 4 BANKRUPTCY3
ITEM 5 INITIAL FEES.....~~43~~
ITEM 6 OTHER FEES~~45~~
ITEM 7 ESTIMATED INITIAL INVESTMENT~~13~~~~12~~
ITEM 8 RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES.....~~17~~~~15~~
ITEM 9 FRANCHISEE’S OBLIGATIONS.....~~21~~~~19~~
ITEM 10 FINANCING.....~~22~~~~20~~
ITEM 11 FRANCHISOR’S ASSISTANCE, ADVERTISING, COMPUTER SYSTEMS, AND
TRAINING~~22~~~~20~~
ITEM 12 TERRITORY~~29~~~~28~~
ITEM 13 TRADEMARKS32
ITEM 14 PATENTS, COPYRIGHTS, AND PROPRIETARY INFORMATION.....~~34~~~~33~~
ITEM 15 OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE
FRANCHISE BUSINESS~~36~~~~35~~
ITEM 16 RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL.....36
ITEM 17 RENEWAL, TERMINATION, TRANSFER, AND DISPUTE RESOLUTION THE
FRANCHISE RELATIONSHIP~~37~~~~36~~
ITEM 18 PUBLIC FIGURES43
ITEM 19 FINANCIAL PERFORMANCE REPRESENTATIONS~~43~~~~44~~
ITEM 20 OUTLETS AND FRANCHISEE INFORMATION~~44~~~~46~~
ITEM 21 FINANCIAL STATEMENTS~~46~~~~48~~
ITEM 22 CONTRACTS.....~~46~~~~48~~
ITEM 23 RECEIPTS~~46~~~~48~~

EXHIBITS:

- A. List of State Administrators
- B. Franchisor’s Agent for Service of Process
- C. Franchise Agreement
- D. Development Agreement
- E. EFT Preauthorization
- F. Form of General Release
- G. Franchisor Lease Addendum
- H. Table of Contents of Confidential Operations Manual
- I. State-Specific Disclosures
- J. Financial Statements
- K. Franchisee Questionnaire
- L. Lists of Current and Former Franchisees
- M. State Effective Dates
- N. Receipts

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

The Franchisor and its Parents and Affiliates

~~The franchisor is Frankfurters Franchising LLC which is referred to in this Disclosure Document as “Franchisor,” “Frank & Furter’s,” “we,” “us” and “our.” A person or entity that buys a franchise from us is referred to in this Disclosure Document as “you,” “your,” or “Franchisee.” If you are a corporation, partnership, limited liability company, or other entity, your owners (“Principals”) must sign our “Guaranty and Assumption of Obligations” in their individual capacities, which means that all of the provisions of the Franchise Agreement (a form of which is attached as Exhibit C to the Franchise Agreement) also will apply to your Principals. Depending on the creditworthiness of the Principals and the community property laws of the states in which they reside, we may also require that the spouse of each Principal sign our “Guaranty and Assumption of Obligations.”~~

Franchisor is an Arizona limited liability company that was formed on December 13, 2023. Franchisor’s principal business address is 4250 N Drinkwater Blvd, Suite #165, Scottsdale, Arizona 85251. Franchisor has not previously conducted business in this or any other line of business and began offering franchises in this line of business in March 2024. Franchisor has never offered franchises in any other line of business.

Franchisor’s parent is Frankfurters, Inc. (“Parent”), a Delaware corporation. Parent’s principal business address is 1108 Lavaca St., Ste. 110-247 Austin, TX 78701. Franchisor does not have any other parents, affiliates, or predecessors required to be disclosed in this Item. Parent is the owner of the Marks (as defined below) and licenses the Marks to us pursuant to a license agreement that authorizes us to offer franchises to third parties.

~~We do not have any affiliates.~~

Franchisor has not previously conducted business in this or any other line of business and began offering franchises in this line of business in April 2024. Franchisor does not have any predecessors and do not have any affiliates.

The identity and principal business address of Franchisor’s agents for service of process are listed in Exhibit B to this Disclosure Document.

The Franchise

We grant franchises for restaurants operating under the “Frank & Furter’s” name and other trademarks and service marks that we identify from time to time (the “Marks”). For reference purposes in this Disclosure Document, we refer to “Frank & Furter’s” restaurants businesses using the System (defined below) and the Marks as “Restaurants.” Restaurants offer hot dogs, sausages, and burgers with a variety of toppings as well as fresh-cut fries, shakes, and other foods and beverages including wine and beer where permitted by law, on an eat-in or take-out basis in a family friendly, warm, and lively environment. In some instances, Restaurants may include a drive-thru lane. Menu items are prepared according to our specified recipes and procedures and may use certain proprietary or branded products, including branded food products, beverages, drinks, and other food products that will be prepared, distributed, and supplied according to our proprietary designs, recipes, and menus (collectively “**Proprietary Products**”).

Restaurants use our distinctive business formats, methods, procedures, signage designs, layouts, standards, specifications, and Marks (the “**System**”), all of which we may improve, further develop, or otherwise modify. If you acquire a franchise, you must operate the Restaurant according to the System. The Restaurants offered pursuant to this Disclosure Document will range between 1,000-2,000 square feet and will be generally located in shopping centers, enclosed malls, street locations, ~~enclosed malls~~, lifestyle centers, strip centers, freestanding buildings, airports, military bases, universities, hospitals, office buildings, and bus/train stations with dense residential and strong daytime working populations (each a “**Premises**”).

We also may grant multi-unit development rights to qualified franchisees, who then will have the right to develop no less than three (3) Restaurants (including one pursuant to a Franchise Agreement executed simultaneously with a Development Agreement) within a defined area (the “**Development Area**”) over a specific time period or according to a pre-determined development schedule. These franchisees may open and operate Restaurants directly or through controlled affiliates. Our Development Agreement is attached as Exhibit D. (See Item 5 and Item 12) You must sign our then-current form of franchise agreement for each Restaurant you develop pursuant to our Development Agreement, which may differ from the Franchise Agreement attached as Exhibit C.

We offer a veterans incentive program in connection with your Franchise Agreement for a new Restaurant if you (i) are United States military veterans; (ii) have been honorably discharged from any branch thereof; (iii) own a majority interest in the franchised Restaurant; and, (iv) otherwise meet our requirements for the incentive program (the “Veteran Incentive Qualifications”). Franchisees that meet the Veteran Incentive Qualifications will receive a 10% reduction of the Initial Franchise Fee.

Competition and Market

Your Restaurant(s) will offer menu items to the general public throughout the year. Our products are not seasonal. That being said, the market for food and beverages is well-developed and competitive. You will compete with other restaurants, fast food restaurants, pubs, and bars serving hot dogs, sausages, burgers, fries, and other types of restaurant-style food as well as supermarkets, food retailers, and food trucks located in your venue, shopping center, market area, and vicinity. Some of your competitors may include Restaurants operated by other franchisees or by us or our Affiliates.

Industry Specific Regulations

You must comply with all existing regulations concerning food service, nutrition, calorie content, and other federal or state regulations that apply specifically to the food and beverage service industry. For example, the Environmental Protection Agency, U.S. Food and Drug Administration, the U.S. Department of Agriculture, as well as state and local environmental and health departments and other agencies, have laws and regulations concerning the preparation of food and sanitary conditions of food and beverage establishments. State and local agencies may periodically conduct inspections for compliance with these requirements. Under the federal Clean Air Act and certain state laws, you may be required to comply with applicable statutory guidelines, such as localized quality standards for ozone, carbon monoxide, and particulate matters. Certain provisions of such laws impose limits on emissions resulting from commercial food preparation.

You also must comply with existing laws, regulations, and ordinances that apply generally to all businesses, such as the ~~Corporate Transparency Act~~, Americans with Disabilities Act, federal wage and hour laws and state law equivalents, the Affordable Care Act, the Occupational Safety and Health Act, anti-terrorism and anti-corruption laws (such as the Patriot Act and the Foreign Corrupt Practices Act), and data protection and privacy laws (such as credit card protection under the U.S. Fair and Accurate Credit Transactions Act, or “FACTA”). It is your sole responsibility to comply with all applicable laws and to obtain and maintain all necessary licenses and permits required by public authorities. You should investigate these laws that may apply to the food service and beverage service industry and to all businesses in general.

If you offer alcohol, you must obtain an appropriate beer, wine, and/or liquor license. State and local laws, regulations, and ordinances vary significantly in the procedures, difficulty, and cost to obtain a license to sell liquor, the restrictions placed on how beer, wine, and liquor may be sold, and the potential liability dram shop laws impose involving injuries, directly and indirectly, related to the sale of liquor and its consumption. You must understand and comply with those laws in operating your Restaurant.

Separate Franchise Disclosure Document (Regional Developer Franchises)

In a separate franchise disclosure document, we offer area representative ("Regional Developer") franchises to recruit prospective Frank & Furter's franchisees ("Franchisee(s)") in a defined geographic area (the "Development Area") and support Franchisees in the Development Area during the term of the Development Agreement.

ITEM 2 BUSINESS EXPERIENCE

~~**Mark McIntosh-Chief Executive Officer.** Mark McIntosh has been our CEO since our formation in December 2023. Mark has also been the CEO of Frankfurters, Inc. since October 2023. From October 2013 to present Mr. McIntosh has been the owner and CEO of National Driver Solutions in Scottsdale, Arizona. From 2006 through October 2013, Mr. McIntosh was Vice President of Fox Restaurant Concepts in Phoenix, Arizona.~~

~~**Ben Crawford Jr.-Chief Financial Officer.** Mr. Crawford has been our Chief Financial Officer since our formation in December 2023. Mr. Crawford is also the Chief Financial Officer of Parent. From June 2021 through December 2023, Mr. Crawford was the Chief Financial Officer for House 17 in Boston MA. Prior to this, Mr. Crawford was an investment banker at G2 Capital Advisors in Boston, Massachusetts, an industry focused investment bank and restructuring advisor from January 2019 to June 2021.~~

Charles Bruce- CEO/Director. Mr. Bruce has been our CEO since January 2025 and was our Co-CEO from August 2024-January 2025. Mr. Bruce was retired from 2016-2024. Mr. Bruce was the CEO of Johnny Rockets in Lake Forest, California from 2015-2016 and the President and CEO of Peter Piper Pizza in Phoenix, Arizona from 2009-2014.

Julian Colmar- CFO. Mr. Crawford Colmar has been our CFO since August 2024 and was previously a Vice President since December 2023. Mr. Colmar hwas been formerly CFO of iFlex Stretch Studios since from June 2022-December 2024. From June 2011 through December 2022, Mr. Colmar was a franchisee of The Joint Chiropractic in Austin, Texas. Mr. Colmar has been the Director of Research for Business Ventures Corp. in Austin, Texas since January 2016.

Lyle Myers-Chief Development Officer. Mr. Myers has been our Chief Development Officer since our formation in December 2023. Mr. Myers has been the Chief Development Officer for iFlex Franchising LLC in Scottsdale, Arizona since from July 2022 to December 2024 and Sparkle Franchising in Scottsdale, Arizona since February 2024. Between January 2017 and March 2021, Mr. Myers was the President of Clovr Life Spa Franchising LLC formally known as Sirius Day Spa Franchising, LLC in Scottsdale, AZ. From January 2015 through July 2020, he was the President of Redline Athletics Franchising, LLC in Scottsdale, Arizona. From April 2013 through July 2022, Mr. Myers was an independent franchise management consultant.

Jack Colmar—Vice President of Development. Mr. Colmar has been our Vice President of Development since March 2024. Mr. Colmar was the Director of Construction for the Joint Chiropractic from 2021-2024. Mr. Colmar was the construction manager for the Joint Chiropractic from 2012-2021.

Francis Gonzalez- Director of Operations. Mr. Gonzalez has been our Director of Operations since June 2024. Mr. Gonzalez was the Director of Operations for Parker Hospitality in Chicago, Illinois from March 2018 to June of 2024. Mr. Gonzalez was the Director of Culinary at Blue Plate Restaurant Company in Minneapolis, Minnesota from June 2014-March 2018.

Craig Colmar-Director. Mr. Colmar has been our Director since our formation in December 2023. Mr. Colmar has been a partner at Johnson and Colmar, a law firm since January 1992 in Chicago, Illinois.- Mr. Colmar was a co-founder of The Joint Corp., a franchisor and operator of chiropractic clinics in Scottsdale, Arizona from March 2010 to March 2017.

Steve Colmar-Director. Mr. Colmar has been our Director since our formation in December 2023. Since 1999,

Mr. Colmar has served as president of Business Ventures Corp., in Austin, Texas. Mr. Colmar was a co-founder of The Joint Corp., a franchisor and operator of chiropractic clinics [in Scottsdale, Arizona from March 2010 to March 2017](#).

Richard Rees-Director. Mr. Rees has been our Director since our formation in December 2023. Since December 2021, Mr. Rees has been a Partner in Monarch Ventures, Inc. in Austin, TX and Salt Lake City, Utah. Since 2005, Mr. Rees has been the Chief Operating Officer of Business Ventures Corp in Austin, TX. Mr. Rees was a co-founder of The Joint Corp., a franchisor and operator of chiropractic clinics: [in Scottsdale, Arizona from March 2010 to 2017](#).

~~**Jack Colmar Vice President of Development.** Mr. Colmar has been our Vice President of Development since March 2024. Mr. Colmar was the Director of Construction for the Joint Chiropractic from 2021-2024. Mr. Colmar was the construction manager for the Joint Chiropractic from 2012-2021.~~

~~**Julian Colmar Vice President.** Mr. Colmar has been our Vice President since December 2023. Mr. Colmar has been CFO of iFlex Stretch Studios since June 2022. From June 2011 through December 2022, Mr. Colmar was a franchisee of The Joint Chiropractic in Austin, Texas. Mr. Colmar has been the Director of Research for Business Ventures Corp. in Austin, Texas since January 2016.~~

ITEM 3 LITIGATION

No litigation is required to be disclosed in this Item.

ITEM 4 BANKRUPTCY

No bankruptcy is required to be disclosed in this Item.

ITEM 5 INITIAL FEES

Franchise Agreement

If we grant you a franchise for a Restaurant, then when you sign the Franchise Agreement you must pay us a non-recurring initial franchise fee (“**Initial Franchise Fee**”) of \$35,000. The Initial Franchise Fee is fully earned by us when paid and is not refundable under any circumstances. The Initial Franchise Fee is generally uniformly imposed as to all franchisees purchasing a franchise for a Restaurant although we may, on a case-by-case basis, reduce or waive Initial Franchise Fees in our sole discretion.

The Initial Franchise Fee payable with respect to your second and each subsequent franchise agreement will be \$25,000.

~~As described in Item 1, we~~ We offer a 10% reduction of the Initial Franchise Fee in connection with your Franchise Agreement for a new Restaurant if you: (i) are United States military veterans; (ii) have been honorably discharged from any branch thereof; (iii) own a majority interest in the franchised Restaurant; and, (iv) otherwise meet our requirements for the incentive program (the “**Veteran Incentive Qualifications**”).

Development Agreement

If we allow you to sign our Development Agreement because you commit to developing a minimum of two (2) additional Restaurants (not including the Restaurant governed by the Franchise Agreement) in a defined geographic area (the “**Development Area**”), you will pay us a fee (the “**Development Fee**”) equal to the Initial Franchise Fees that you would pay for each of the agreed upon Restaurants.

The Development Fee is not refundable under any circumstances. If you sign the Development Agreement, pay the Development Fee, and then cannot find sites for Restaurants or choose not to perform for another reason (in which case the first Franchise Agreement and/or the Development Agreement is terminated), we may keep the entire Development Fee and need not return any money to you.

Restaurant Design Fee.

You must pay us a Restaurant Design Fee to prepare an initial restaurant floor plan. Payment is due when you sign your Franchise Agreement. The current Restaurant Design Fee is \$750 per Restaurant. This fee is not refundable.

Technology Fees.

We charge a monthly technology fee for those technology licenses and services that we provide to you or that we license from others to provide to you. During the first three (3) months of operating your Restaurant, you will pay us \$2,400 in Technology Fees.

Equipment, Signage, and Existing Restaurants

We may acquire certain used equipment and signage and offer it for sale to prospective or existing franchisees at a price that we believe to be equal to or less than the fair market value of that equipment and signage. If we make that offer to you, you have the option of purchasing that equipment and signage from us or purchasing new equipment and signage from approved third parties. In addition, we, or our affiliates may offer to sell to prospective or existing franchisees an existing operational Restaurant (including the equipment, signage, fixtures, inventory, and other items necessary to operate the Restaurant) at a price that we believe to be equal to or less than the fair market value of the Restaurant. If we make that offer to you, you have the option of purchasing the existing operational Restaurants or starting your own Restaurant.

ITEM 6 OTHER FEES

Column 1 Type of Fee⁽¹⁾	Column 2 Amount	Column 3 Due Date	Column 4 Remarks
Royalty Fees	6% of weekly Net Sales ⁽³⁾	Weekly on every Wednesday for Royalty Fees due for the previous week. ⁽⁴⁾	Payable by ACH. A week for the payment of Royalty Fees is Monday through Sunday.
Advertising Fund Contribution ⁽⁵⁾	1.5% of weekly Net Sales ⁽³⁾	Weekly on every Wednesday for Advertising Fund Contributions due for the previous week. ⁽⁴⁾ Shall be paid at the same time and same manner as your Royalty Fees.	Payable by ACH. We may increase the Advertising Fund Contribution upon 30 days' written notice to you.
Local Marketing Expenditure	The greater of (i) \$2,500 per month or (ii) 3% of Net Sales ⁽³⁾		We may audit your books and records to confirm that you are complying with this requirement.
Transfer Fee ⁽⁶⁾	\$10,000	At the closing of the transfer	Payable before transfer of

Column 1 Type of Fee ⁽¹⁾	Column 2 Amount	Column 3 Due Date	Column 4 Remarks
			Franchise Agreement or ownership interest in the business entity of franchisee. This amount will be reduced to \$2,500 for a transfer to a person or entity that is majority-owned by you, to a person or entity that owns a majority interest in you, or to an entity that is owned by the same persons or entities that beneficially own a majority interest in you.
Resale Fee ⁽⁷⁾	Generally, ten percent (10%) of the sales price of your Restaurant but may be higher depending upon our agreement or your agreement with such applicable third party.	As Incurred	You will pay us or a third-party broker a resale fee (“Resale Fee”) to the extent that a commission is payable to a broker in connection with the transfer and sale of your Restaurant.
Renewal Fee ⁽⁸⁾	25% of then-current Initial Franchise Fee	Upon your delivery of written notice to us of your intent to renew your Franchise Agreement.	You may, with our approval and consent, which will not be unreasonably withheld, and the payment of the Renewal Fee, renew the Franchise Agreement for one ten (10) year term and two five (5) year terms. The Renewal Fee is payable each time that you renew your Franchise Agreement.
Relocation Fee ⁽⁹⁾	\$2,500	At the time you request a relocation of your Restaurant	The Relocation Fee is intended to cover our administrative expenses associated with reviewing and administering your proposed relocation. If we approve your relocation, we will retain the entire Relocation Fee. If we disapprove of your proposed relocation, we will return the Relocation Fee minus our reasonable costs and expenses in reviewing the proposed relocation.
Additional Initial Training Fee ⁽¹⁰⁾	\$1,000 per attendee.	Upon registration for the Training Program of anyone beyond the two three individuals included with your Initial Franchise Fee.	The Initial Training Fee for three (3) individuals is included with the payment of your Initial Franchise Fee. Payable at the time you register for our Training Program.

Column 1 Type of Fee ⁽¹⁾	Column 2 Amount	Column 3 Due Date	Column 4 Remarks
Continuing Training, Annual & Other Meetings ⁽¹¹⁾	Up to \$1,000 per attendee, per year.	Upon invoice, ACH, or EFT no less than six months before the scheduled training or meeting.	We may require you and your personnel to attend and complete satisfactorily complete various training courses that we periodically choose to provide at the times and locations that we designate, as well as periodic conventions, regional meetings, and conferences that we specify including franchise meetings. Even if you fail to attend, we can charge reasonable registration or similar fees for these courses and meetings ("Franchise Meeting Fee"). The Franchise Meeting Fee is currently \$1,000 per person. We may increase the Franchise Meeting Fee upon written notice to you if our costs and expenses in connection with organizing and putting on the franchise meeting increase. There is no maximum Franchise Meeting Fee that we may charge you although any increase will only be based upon an increase in our costs and expenses in organizing and presenting franchise meetings .
Technology Fee ⁽¹²⁾	\$1,700 800 per month	Monthly. Will be withdrawn monthly on the 15 th of every month.	You will pay us a Technology Fee for those technology licenses and services that we provide to you or that we license from others to provide to you. Currently, the Technology Fee includes maintenance of the website, license of POS hardware and software, online and app ordering, loyalty program, email system management, intranet systems, digital menu boards, and drive-thru systems. We may increase the Technology Fee upon 30 days prior written notice to you.

Column 1 Type of Fee⁽¹⁾	Column 2 Amount	Column 3 Due Date	Column 4 Remarks
Management Fee ⁽¹³⁾	The greater of (i) two times the salary paid to the individual(s) assigned by us to operate the Restaurant, or (ii) 10% of the Restaurant's monthly Net Sales; plus, expenses for travel, lodging, meals, and all other expenses.	Payable on a monthly basis at the same time as Royalty Fees and Advertising Fund contributions if we manage your Restaurant for you	Payable if we manage your Restaurant. Is in addition to and not in lieu of Royalty Fees and other fees you pay us.
Default Interest ⁽¹⁴⁾	Lesser of (i) the highest commercial contract interest rate permitted by state law, and (ii) 15% per annum.		Charged on any late payments of Royalty Fees, contributions to Franchisor's Advertising Fund, amounts due for product purchases, or any other amounts due <u>to</u> our affiliates or us.
Document Late Charge ⁽¹⁵⁾	\$250 per day per late document.	Upon your failure to timely provide us with documents or reports required by the Franchise Agreement including the Confidential Operations Manual.	
Draft Draw Charge ⁽¹⁶⁾	\$250 per returned draft.	Weekly if we cannot ACH your business account for all amounts owed on a weekly basis.	If you fail to provide us with the information we need to draw drafts against your account for Royalty Fees and other payments owed to us pursuant to your Franchise Agreement.
Non-Compliance Fee ⁽¹⁷⁾	\$2,500 per incidence of non-compliance	Payable on demand.	See Note 17.
Termination Fee ⁽¹⁸⁾	50% of the Initial Franchise Fee plus estimated Royalty Fees (6%) for the remainder of Term.	On demand.	See Note 18.
Attorneys' Fees and Costs ⁽¹⁹⁾	Actual fees and costs.	As incurred.	

Column 1 Type of Fee⁽¹⁾	Column 2 Amount	Column 3 Due Date	Column 4 Remarks
Audit ⁽²⁰⁾	Our costs, fees, and expenses if the audit reveals an understatement.	Promptly after the audit if the audit reveals an underpayment, from the due date.	You will be required to pay Default Interest on unpaid amounts revealed during any audit of your Restaurant.
Taxes ⁽²¹⁾	Actual cost of applicable taxes.	Within 10 days of invoice.	
Non-Compete Violation Fee ⁽²²⁾	\$35,000 plus 9% of Net Sales from all products and services sold by or from the Restaurant, whether for on-site or off-site consumption.	On demand.	Payable if you breach any of the non-compete provisions contained in Section 1818 of the Franchise Agreement.
Testing ⁽²³⁾	Our reasonable cost of inspection and the actual cost of the test, not to exceed \$10,000.	As incurred.	This covers our costs and expenses for inspecting the new suppliers you propose.
Premiums and Other Amounts Paid by us if You Fail to Purchase Required Insurance ⁽²⁴⁾	You must reimburse our actual costs.	As incurred.	We may, in our sole discretion, pay insurance premiums or other amounts that you fail to pay for required insurance and charge you such premiums and fees plus 15%.
Indemnification of us	Actual amount of all claims, obligations, and damages arising out of the Restaurant's operation, employment matters, the business you conduct under the Franchise Agreement, and your breach of the Franchise Agreement.	As incurred.	Payable to indemnify us, our affiliates, and our and their respective owners, officers, directors, employees, agents, successors, and assigns against all claims, liabilities, costs, and expenses related to your ownership and operation of your franchise
Currency⁽²⁵⁾	Any conversion fees that we incur.	As incurred.	All payments must be in U.S. Dollars.
De-identification	All amounts incurred by us	As incurred	Payable if we de-identify the franchise upon its termination, relocation, or expiration
Customer Complaint Reimbursement	Costs we incur to resolve complaints for your customers if you fail to reasonably satisfy such complaints	Upon demand	Payable if you fail to reasonably resolve one or more customer complaints and we resolve such complaints on your behalf.

Column 1 Type of Fee⁽¹⁾	Column 2 Amount	Column 3 Due Date	Column 4 Remarks
Extension Fee.	\$2,500 per month for each month for which an extension to open a Restaurant is sought.	On or before the 5 th day of each month for which an extension is sought.	We reserve the right to modify, increase, decrease, or waive the Extension Fee in our sole and absolute discretion.
Insufficient Funds Fee	\$250 per instance	When our attempt to collect an electronic payment from you is unsuccessful	We may increase this fee upon written notice to you.

NOTES:

(1) All fees in the above table, which are payable to us or our affiliates, may be modified by us from time to time without your approval. Those fees will be no greater than the fees then being charged to new franchisees. Except as stated above, those fees are uniformly imposed and collected and are not refundable. We require you to sign a pre-authorization form to enable us to draw against your bank account for the full amount of the Royalty Fees, Advertising Fund Contributions, equipment fees, and any other amounts that you owe to us or our affiliates or your cooperative advertising association (for example, for promotional materials). The form of that authorization is contained in Exhibit E to this Disclosure Document.

(2) "Gross Sales" means all revenue transacted from or during the operation of your Restaurant including, but not limited to product sales, business interruption insurance, and all amounts that you receive at or away from the Premises, whether from cash, check, EFT, ACH, wire transfer, credit and debit card, barter, exchange, trade credit, loyalty program points, gift card redemptions, or other credit transactions. Gross Sales also includes all amounts that third-party marketing agencies, such as, for example, Groupon, receive from your customers for marketing goods and services that these customers purchase from your Business (provided we have approved for such means or methods of marketing).

(3) Net Sales. "Net Sales" means Gross Sales (as defined above) minus: (i) the amount of any documented refunds and chargebacks provided to customers in good faith; and (ii) any tips received by your employees.

(4) The royalty period runs from the Monday to Sunday (the "**Calendar Week**"). Royalty Fees and Advertising Fund Contribution payments based on Net Sales during each Calendar Week shall be withdrawn by ACH from your bank account on the Wednesday after the end of the previous Calendar Week.

(5) We will collect an Advertising Fund Contribution of 1.5% of Net Sales. The Advertising Fund will be used for marketing, advertising, production, and media expenses to promote the Frank & Furter's names, Systems, products, and services. We may increase the Advertising Fund Contribution upon 30 days' written notice to you. We will collect your Advertising Fund Contribution at the same time and in the same manner as we collect your Royalty Fee. You are also required to spend no less than \$2,500 or 3% of your Net Sales on local marketing on a monthly basis, whichever is greater (the "**Local Marketing Expenditure**").

(6) We may allow you to transfer your Restaurant to a new franchisee if they meet our then-current standards for new franchisees and you comply with our requirements for transfer. One of the requirements for transfer is the payment to us of a transfer fee at the time you provide written notice of your intent to transfer. The transfer fee will be reduced to \$2,500 if you transfer your Restaurant to a person or entity that is majority-owned by you, or to a person or entity that owns a majority interest in you, or to an entity that is owned by the same persons or entities that beneficially own a majority interest in you, or half of the then-current Initial Franchise Fee if you transfer your Restaurant to a third party (the "**Transfer Fee**"). The Transfer Fee is intended to reimburse us for our costs,

expenses, and time in reviewing, administering, and processing the proposed transfer of your Restaurant.

(7) You will pay us or a third-party broker a resale fee (“**Resale Fee**”) to the extent that a commission is payable to a broker or employee in connection with the transfer and sale of your Restaurant. The Resale Fee will generally be ten percent (10%) of the sales price of your Restaurant but may be higher depending upon our agreement or your agreement with such third party. If a Resale Fee is payable in connection with the transfer of your Restaurant, we will not approve the transfer until we receive the Resale Fee or receive confirmation from applicable parties that the Resale Fee has been paid in full.

(8) The initial Term of the Franchise Agreement is 10 years. At the expiration of the Term, Franchisee may renew the Franchise Agreement for one term of ten (10) years and two consecutive five (5) year terms (each a “**Renewal Term**”). To renew the Franchise Agreement at the end of the Term or a Renewal Term, you must comply with our renewal requirements. One of our renewal requirements is the payment of a renewal fee. Your renewal fee will be 25% of the initial franchise fee then being charged to new Frank & Furter’s franchisees.

(9) You must request and receive our approval before relocating your Restaurant from the address and Premises originally selected by you and approved by us. At the time you submit a written request to relocate your Restaurant; you must deposit with us \$2,500 as a Relocation Fee. The Relocation Fee is intended to cover our administrative expenses associated with reviewing and administering your proposed relocation. If we approve your relocation, we will retain the entire Relocation Fee. If we disapprove your proposed relocation, we will return the Relocation Fee minus our ~~reasonable~~ costs and expenses in reviewing the proposed relocation.

(10) The Training Program for up to three (3) people is included with your Initial Franchise Fee. If you require additional people to attend the Training Program, you will pay us a fee of \$1,000 per additional person. Training of the additional people may be held at the same time as training of the initial ~~two~~three people, at our election. All Training Program attendees bear their own travel, lodging, and meal expenditures in connection with attending. We may require or permit you to attend the Training Program again, at your expense (\$1,000 per person, plus travel, lodging, and meal expenditures in connection with attending the Training Program). Additional training programs and refresher courses may be required upon renewal and from time to time.

(11) We may elect, in our sole discretion, to charge a fee for additional training programs. You will be required to bear your own travel, lodging, and meal expenditures in connection with attendance. In addition, you must attend, at your expense, all annual and other meetings and conference calls of franchisees that we determine are mandatory for all franchisees, or groups of franchisees (as designated by us), such as franchisees within a particular geographic region. We will bill you in advance for the attendance fee for all national meetings and training programs, whether you attend or not. We may also impose a charge for your failure to attend such programs, courses, meetings, and conference calls.

(12) You will pay us a Technology Fee for those technology licenses and services that we provide to you or that we license from others to provide to you. Currently, the Technology Fee includes maintenance of the website, license of ~~POS hardware and software~~, online and app ordering, loyalty program, email system management, intranet systems, ~~digital menu boards~~, and drive-thru systems. We may increase the Technology Fee upon 30 days prior written notice to you.

(13) You will pay us a management fee ("Management Fee") if we are obligated, directly or indirectly, to manage your Restaurant. The Management Fee is in addition to and not in replacement of any other fees that you are obligated to pay us. The current Management Fee we charge you is the greater of (i) two times the salary paid to the individual(s) assigned by us to operate the Restaurant, or (ii) 10% of the Restaurant's monthly Net Sales; plus, expenses for travel, lodging, meals, and all other expenses. The Management Fee is payable during any period that our appointed manager manages your Restaurant. The Management Fee will be in addition to the Royalty Fees and Advertising Fund Contributions due to us. We will deduct the Management Fee from Net Sales prior to our payment

of your Franchise Commission. We may increase the Management Fee upon thirty (30) days' written notice to you.

(14) We may charge you default interest on any unpaid amounts at the rate of 15% per year (“**Default Interest**”). Default Interest will accrue on a weekly basis. The Default Interest rate will be lowered if state or federal law requires a lower interest rate.

(15) If you fail to deliver or provide to us with any statement, report, or other document or information required to be delivered (for example, sales reports, Certificates of Insurance, and financial statements), by the applicable deadline, you will be assessed a late charge of \$250 per day, or part thereof (until that statement, document or other information has been delivered or provided), which amount may be increased by us from time to time.

(16) If you fail to provide us with any necessary information or documentation with respect to our practice of drawing drafts against your bank accounts, you will be assessed a fee of \$250 per day.

(17) This fee is charged for each incident of noncompliance of your operational obligations under the requirements, procedures, or policies of the Franchise Agreement, upon notice to Franchisee, whether or not you are entitled to cure the deficiency under the Franchise Agreement. This fee is imposed by and payable to us, is not collected on behalf of nor paid to any third party and is not refundable.

(18) This fee is payable if your Franchise Agreement is terminated before expiration of the term as a result of your default of the Franchise Agreement, or if you abandon or refuse to operate the Restaurant before the end of the term of your Franchise Agreement. In addition to this fee, you may also be required to compensate us for our damages that include travel expenses, labor, and employee cost to operate the Restaurant, food products removed, and unpaid and other expenses to operate the Restaurant. This fee is imposed by and payable to us, is not collected on behalf of nor paid to any third party and is non-refundable. This fee is in addition to, and not in lieu of, the Interim Operating Fee.

(19) You are responsible for our ~~reasonable~~-attorneys' fees incurred in enforcing our rights under the terms of the Franchise Agreement including but not limited to our efforts to collect Royalty Fees and other amounts that you owe to Franchisor or our Affiliates.

(20) You will be required to pay the costs and fees that we incur in connection with an audit of your Restaurant as well as pay any unpaid Royalty Fees, Advertising Fund Contributions, and Default Interest on such unpaid amounts.

(21) Computation of any amounts to be paid that require conversion between currencies will be made at the selling rate for United States Dollars quoted by our primary bank on the date on which payment is made.

(22) Non-Compete Violation Fee. You will pay us this fee if you violate the non-competition provisions of the franchise agreement.

(23) Testing Costs. We can charge you a fee not to exceed the lesser of \$10,000 and the ~~reasonable~~-cost of the inspection and the actual cost of the test must be paid by you if you propose to purchase any Goods or Materials from a supplier that we have not previously approved.

(24) Insurance Costs. If you fail to pay your insurance premiums or related expenses, we may pay such expenses on your behalf. If we are required to pay your insurance premiums or related expenses, you will reimburse us for such expenses plus fifteen percent (15%) of the premiums and expenses we paid to reimburse us for the time and money expended on your behalf.

~~(25) If we are required to convert any payment that you make to us from a different currency to US dollars, you~~

will be responsible for the costs of such conversion.

ITEM 7 ESTIMATED INITIAL INVESTMENT

YOUR ESTIMATED INITIAL INVESTMENT

Column 1 Expenditures	Column 2 Amount		Column 3 Method of Payment	Column 4 When Due	Column 5 To Whom Made
	LOW Lo w	HIGH Hi gh			
-			-	-	-
Initial Franchise Fee ⁽¹⁾	\$35,000	\$35,000	Lump Sum	Upon signing Franchise agreement	Us
Architect's Fees ⁽³²⁾	\$3,000	\$15,000	As Agreed	Before Opening	Architect
Leasehold Improvements ⁽⁴³⁾	\$125,000	35 \$400,000	Negotiable	Contract Terms	General Contractor
Furniture, Fixtures and Equipment ⁽⁵⁴⁾	20 \$85,000	6 \$210,000	As agreed with Suppliers	As agreed with Suppliers	Suppliers
Professional Fees	\$2,500	\$7,500	As Incurred	As Incurred	Your Attorney, accountant, and other professionals
Computer Hardware and Software ⁽⁶⁵⁾	\$4,500	\$6,500	Vendors Terms	Vendors Terms	Suppliers
Signage ⁽⁷⁶⁾	\$6,000	\$20,000	Per vendor requirements	Vendors Terms	Suppliers
Restaurant Design Fee ⁽⁸⁷⁾	\$750	\$750	Lump sum	Upon signing the franchise agreement	Us
Technology Fees (3 months)	5,100 \$2,400	5,100 \$2,400	1,700 \$800 per month to Franchisor paid on the 15 th of every month	Each month beginning when you sign your lease and monthly thereafter	Us
Point of Sale and Additional Software Licenses (3 months)	750 \$2,700	750 \$2,700	Vendor terms	Each month beginning when you sign your lease and monthly thereafter	Vendor
Business and Operating Permits ⁽⁹⁸⁾	\$4,500	\$10,000	As Incurred	As Incurred	Licensing Authorities
Insurance ⁽⁴⁹⁾	\$5,000	\$10,000	As Incurred	Per Insurance Policy	Insurance Companies
Base Rent (3 months) ⁽¹¹⁰⁾	\$2,500	\$40,000	As Incurred	Monthly	Landlord
Expenses While Attending Training ⁽¹²¹⁾	\$2,550	\$14,700	As Incurred	As Incurred	Airlines, Hotels, and Restaurants
Grand Opening Marketing	1 \$25,000	1 \$25,000	As Incurred	As Incurred	Vendors
Opening Inventory ⁽¹²⁾	\$15,000	\$20,000	Per vendor requirements	Vendors Terms	Approved Suppliers

Column 1 Expenditures	Column 2 Amount		Column 3 Method of Payment	Column 4 When Due	Column 5 To Whom Made
-	<u>LOW</u> Lo w	<u>HIGH</u> Hi gh	-	-	-
Equipment	\$65,000	\$150,000	Per vendor requirements	Vendor's Terms	Approved Independent Suppliers
Security/Utility deposits and Fees	\$5,000	\$15,000	Lump Sum	Per Lease/ Utility Requirements	Landlord/ Utilities/
Additional funds (3 Months) <small>(14), (15), (16), (17), (18)</small>	\$25,000	\$40,000	Cash	As Needed	Various
TOTAL ESTIMATED INITIAL INVESTMENT	\$342,150 <u>351,400</u>	815,300 <u>874,550</u>	-	-	-

NOTES.

(1) The Initial Franchise Fee for your first Restaurants is \$35,000. We have the right to reduce or waive the Initial Franchise Fee in certain cases. The Initial Franchise Fee is non-refundable. The Initial Franchise Fee includes the training expenses for three (3) individuals. There is a charge of \$1,000 per additional person attending the Training Program. As described in Item 1, we offer a 10% reduction of the Initial Franchise Fee to new and existing franchisees who (i) are United States military veterans; (ii) have been honorably discharged from any branch thereof; (iii) own a majority interest in the franchised Restaurant; and, (iv) otherwise meet our requirements for the 2023 Veterans Incentive Program (the "Veteran Incentive Qualifications").

~~(2) You must lease, sublease, license, or otherwise acquire the right to operate a Restaurant at the Premises. If you lease the Premises, the property owner, concessionaire, or landlord may require a security deposit, the amount of which generally ranges from one month of rent to three months of rent but may, in some instances, require payment of up to nine months of rent. This estimate reflects the low and high end of rent that we estimate that you will pay for the first three (3) months of operating your Restaurant. Real estate costs vary considerably depending on fair market values; operator or third party contributions, size, condition, and location of the Premises; and municipal requirements. Construction costs also vary considerably depending on fair market values in your area; size, condition, location of the Premises; labor costs (union versus non-union); and equipment requirements. The square footage generally needed to establish a Restaurant is between 1,000-2,000 square feet.~~

~~(2) (3) You must retain an approved architect to develop construction drawings of your Restaurant. Required stamped drawings include architectural, mechanical, plumbing, and electrical plans. In addition, you must obtain structural and fire protection, and any other plans as may be required by your state and local agencies.~~

~~(3) (4) Leasehold improvements may include necessary construction work, landscaping, and grading of the Premises and parking lots, and other alterations to the proposed site to create a suitable retail space for your Restaurant. This estimate excludes any allowances for tenant improvements that you may receive from the landlord of the Premises. The total amount of leasehold improvements for your Restaurant will vary greatly, depending on the type of Premises for your Restaurant, condition of the Premises, and what improvements you require. Our estimates are based upon an existing building buildout and may be higher if you decide to build a new building. You must use approved third party architects and project management firms for the design and construction oversight of your Restaurant. In addition, you must use approved third party contractors for the construction of your Restaurant. The list of and/or criteria for approved architects, engineers, and contractors is included in the Confidential Operations Manual. The estimated costs of approved architects, engineers, and contractors are included~~

in this estimate.

(4) ~~(5)~~ This amount includes estimated costs of furniture, furnishings, installations, equipment, trade fixtures, and certain other items for your Restaurant, the amount and specific items of which will vary depending upon the location, size, and condition of a particular restaurant. You must purchase restaurant equipment for your Restaurant from approved vendors and according to our specifications. The list of approved vendors is included in the Manual.

(5) ~~(6)~~ You are required to acquire, from our Approved Supplier, and exclusively use our approved point of sale system and software in connection with the operation of your Restaurant (the "Computer System"). The components and specifications of this system are specifically identified in the Manual, including approved vendors for the required components of the Computer System. You shall also be required to own a personal computer, laptop, or similar device that allows you to communicate electronically with us.

(6) ~~(7)~~ These estimates assume that you will purchase your interior and exterior signage. The type and size of the interior and exterior signage you will actually install will be based on the size of your location, zoning requirements, and zoning and shopping center restrictions. There may be instances where signage is not permitted because of zoning or use restrictions. You may have the opportunity to purchase additional signs for your location which may increase your initial investment for exterior signage.

(7) ~~(8)~~ You will pay us a Restaurant Design Fee to assist you in designing your Restaurant based upon the configuration of your leased property.

(8) ~~(9)~~ You will be required to obtain business licenses from local government agencies to operate your Restaurant. This reflects our estimate of the costs to be incurred in obtaining required business licenses.

(9) ~~(10)~~ We estimate that your annual cost of insurance will range from \$5,000 - \$10,000. You must purchase all insurance necessary to operate your franchise, including but not limited to, general liability, umbrella, and workers' compensation. Our insurance requirements are set for in item 8 and may be updated from time to time by way of updates to our manual or other written communications.

(10) ~~(11)~~ Frank & Furter's Restaurants will generally occupy between 1,000-2,000 square feet of space, typically in a shopping center in an urban or suburban commercial area. If you choose to buy the property for your restaurant, your investment could be substantially higher. We estimate that rent for a Frank & Furter's restaurant will range from \$8 to \$80 per square foot. The rent you pay will depend upon a number of factors including the geographic location of your restaurant, space size, local rental rates, and other factors. Landlords typically charge a security deposit equal to one month's rent and also may have other deposits that vary according to location. The amount included in this Item 7 estimates the rent you will pay for the first three months including lease deposits. The low initial estimate for base rent accounts for you receiving free rent from your landlord and does not include the payment of a security deposit. The high estimate includes no free rent and the payment of a security deposit equal to the first and last month's rent.

(11) ~~(12)~~ You must pay the travel and living expenses for at least two people to attend the Training Program, which is currently located in Scottsdale, Arizona, or at a certified training restaurant. Your travel and living expenses will include airfare, hotel, and food for approximately three weeks. This amount may be significantly higher if you reside in certain remote areas or if you and we agree that you may bring more than two people through the Training Program. This amount does not include salaries, if any, for you and your employees.

(12) ~~(13)~~ As with any retail business, you will purchase inventory continuously as long as you operate your Restaurant. This figure only represents an estimate of the initial inventory you will be required to purchase in opening your Restaurant.

~~(13)~~ ~~(14)~~ You must obtain and maintain certain types and amounts of insurance (See Item 8). Insurance costs depend on policy limits, types of policies, nature and value of physical assets, gross sales, number of employees, square footage, location, business contents, and other factors bearing on risk exposure. The estimate contemplates insurance costs for 3 months.

~~(14)~~ ~~(15)~~ This represents an estimate of miscellaneous costs that you may incur in addition to the classes of costs identified in Item 7.

~~(15)~~ ~~(16)~~ You will be required to conduct a grand opening advertising campaign in conjunction with the opening of your Restaurant. You must pay all costs of the grand opening, including publicity costs and promotional costs, plus the full cost of any price reductions or other customer inducements. If applicable, we will assist you with developing and carrying out this grand opening campaign.

~~(16)~~ ~~(17)~~ You should retain business professionals (advisors, accountants, attorneys) to assist you in evaluating, establishing, and managing your Restaurant. This is an estimate of the fees that you will incur in the retention of such professionals.

~~(17)~~ ~~(18)~~ Cash flow from your operations may not be adequate to cover operating and other costs during the initial phase of business. The range shown estimates your expenses during the first three (3) months of operation. These expenses include payroll costs (excluding any wage or salary paid to you), other miscellaneous expenses, and working capital. ~~Your costs will depend on factors such as how closely you follow our methods and procedures; your management skill, experience, and business acumen; local economic conditions; the local market for our product; the prevailing wage rate; competition; and the sales level achieved during the initial period.~~ The estimated additional funds are based upon our experience as a franchisor and our affiliates' experience operating company stores.

~~(18)~~ ~~(19)~~ These estimated ranges are based on our experience. ~~We do not offer financing directly or indirectly for any part of the initial investment. The availability and terms of financing depend on many factors, including the availability of financing generally, your creditworthiness and collateral, and lending policies of financial institutions from which you request a loan.~~

**YOUR ESTIMATED INITIAL INVESTMENT
DEVELOPMENT AGREEMENT**

Type of Expenditure	Amount	Method of Payment	When Due	To Whom Payment is to be Made
Development Fee ⁽¹⁾	\$50,000-\$225,000	Lump Sum	At execution	Us
Legal and Accounting ⁽²⁾	\$2,500 - \$10,000	As Arranged	As Incurred	Attorney, Accountant
<u>First Restaurant⁽³⁾</u>	<u>\$351,700-874,550</u>			
TOTAL⁽³⁾	\$52,500- \$235,000 <u>403,900-</u> <u>1,109,550</u>			

(1) If we allow you to sign our Development Agreement because you commit to developing a minimum of two (2) additional Restaurants (in addition to the one (1) Restaurant contemplated by the Franchise agreement) in the Development Area, we currently charge a Development Fee that you must pay in full when you sign the Development Agreement. The Development Fee due equals the full Initial Franchise Fee for each Restaurant

covered by the Development Agreement. The Development Fee presented in this Item 7 table assumes the development of two (2) additional Restaurants on the low end, and the development of nine (9) additional Restaurants on the high end. The Development Fee is not refundable under any circumstances.

(2) ~~We strongly recommend you engage the services of professionals to assist you in evaluating our franchise and the Development Agreement. This will include attorneys and accountants.~~ Actual cost depends on the work done by your attorneys and accountants and their rates.

(3) The estimated initial investment for a ~~single Restaurant, as set forth in the Item 7 table above, will apply to each Restaurant opened under the~~ Development Agreement. ~~You should be aware that such~~ includes the estimated initial investment for ~~your second and subsequent Restaurant will likely be higher than for your~~ the first Restaurant ~~due to inflation and other economic facts that may vary over time~~ described in the first Item 7 table above.

ITEM 8 RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES.

System Standards

To ensure that the highest degree of quality and service is maintained at all Restaurants, you must operate your Restaurant in accordance with the System ~~including the System~~ Standards. We have developed the System Standards based upon our experience and the experience of our affiliates. We disclose the System Standards to you in the Manual, on our Intranet site and/or otherwise in writing. We may amend, modify, increase, or decrease the System Standards upon our updating of the Manual.

Approved Products, Approved Services, Distributors and Suppliers

We may develop certain proprietary or branded services, payment systems, and related services (“Approved Services”) and/or branded and/or designated, required, or approved products that you will be required to offer in your Restaurant (collectively “Approved Products”). We reserve the right to require you to purchase Approved Products from us or our affiliates at any time. We also reserve the right to amend, add, modify, delete, or change the list of Approved Products or Approved Services that you must offer at your Restaurant. We also have developed standards and specifications for other products, materials and supplies incorporated or used in providing services or the packaging and delivery of products and services authorized for sale at Restaurants.

For your Restaurant, you must purchase Approved Products only from us or a third party designated and licensed by us to prepare and sell such products (“Designated Suppliers”) and purchase from manufacturers, distributors, vendors and suppliers approved by us (“Approved Suppliers”) all other goods, products, materials and supplies (collectively, “Goods”), as well as advertising materials, furniture, fixtures, equipment, menus, forms, paper and plastic products, packaging or other materials (collectively, “Materials”) that meet the standards and specifications promulgated by us from time to time. We may require you to use only certain brands (collectively, “Approved Brands”) and prohibit you from using other brands. From time to time, we may modify the list of Approved Brands, and you may not, after receipt of such modification in writing, reorder any brand that is no longer an approved brand.

None of our owners are Designated Suppliers of Goods or Materials although we reserve the right to make Parent, affiliates, or entities owned or controlled by Parent, owners, or affiliates Designated Suppliers or Approved Suppliers in the future. Currently, no franchisor officer owns an interest in any supplier.

We may approve one or more suppliers for any Goods or Materials and may approve a supplier only as to certain Goods or Materials. Approval of a supplier or vendor may be conditioned on requirements relating to the product quality, prices, consistency, reliability, financial capability, labor relations, frequency of delivery, reporting capabilities, standards of service, including prompt attention to complaints, concentration of purchases, or other

criteria, and may be temporary pending a further evaluation of such supplier by us. These criteria and standards are included in the Manual.

We and our affiliates, from time to time, may receive payments from suppliers or vendors (including Designated Suppliers and/or Approved Suppliers) on account of such suppliers' dealings with you and other Restaurant franchisees, and we may use any amounts received without restriction and for any purpose we and our affiliates deem appropriate. We may concentrate purchases with one or more suppliers to obtain lower prices and/or the best advertising support and/or services for any group of Restaurants or any other group of businesses franchised or operated by us or our affiliates. We have not collected any revenue from Designated Suppliers or Approved Suppliers as of ~~the Effective Date of this FDD~~ December 31st, 2024. If we do collect such revenue from these parties, the amount paid to us by Designated Suppliers and/or Approved Suppliers will be, on a case by case basis, a percentage of sales to you and other franchisees or a flat fee.

[Our parent company, Frankfurters, Inc. has not received revenue from sales to franchisees based on the most recent audited financial statements.](#)

If you propose to purchase any Goods or Materials (that you are not required to purchase from a Designated Supplier or an Approved Supplier) from a supplier that we have not previously approved, you must submit to us a written request for such approval or request the supplier to do so itself. We have the right to require, as a condition of our approval, that our representatives be permitted to inspect the supplier's facilities, and that such information, specifications, and samples as we reasonably designate be delivered to us and/or to an independent, certified laboratory designated by us for testing prior to granting approval. A charge not to exceed \$10,000 reflecting the actual costs that we incur, including travel related expenses, video conferencing, product purchases, retention of third-party examination companies, and professional time, inspecting the proposed alternative Goods or Materials and the actual cost of testing the proposed Goods and Materials, must be paid to us by you. We will notify you within 60 days of your request as to whether you are authorized to purchase such products from that supplier. We reserve the right, at our option, to re-inspect the facilities and products of any such Approved Supplier and to revoke our approval upon the suppliers' failure to continue to meet any of the foregoing criteria.

We negotiate purchasing arrangements with Approved Suppliers so that, whenever possible, you can take advantage of the economies of scale offered by being a part of the System. Currently, there are no purchasing or distribution cooperatives. We may receive discounts that are not available to franchisees on the purchase of certain products. We may also receive rebates on products, supplies, and equipment that you purchase from some of our Approved Suppliers.

Based on our most recent audited financial statements, in 202~~3~~4, we received rebates totaling \$0. In the calendar year ended December 31, 202~~3~~4, rebates received totaled 0% of our total revenue of \$0 for the same time period.

We estimate that your purchases or leases from Designated Suppliers and/or Approved Suppliers will represent approximately 50% of your total purchases in the establishment of your Restaurant and 50% of your total purchases in the continuing operation of your Restaurant.

We do not provide or withhold material benefits to you (such as renewal rights or the right to open additional Restaurants) based upon whether you purchase Approved Products from Designated Suppliers or Goods and Materials from Approved Suppliers; however, if you purchase Approved Products, Goods or Materials from unapproved suppliers or if you purchase unapproved Goods or Materials, we will have the right to terminate the Franchise Agreement.

Insurance

Before you commence activities under the Franchise Agreement, and before the Restaurant opens, you must obtain,

and continue to maintain at all times, in full force and effect at your sole expense that insurance which you (or your risk management advisors) determine is necessary or appropriate for liabilities caused by or occurring in connection with the development or operation of the Restaurant, which shall include, at a minimum, insurance policies of the kinds, and in the amounts, required by the Manual.

The current minimum requirements for insurance policies and coverage are listed below although more specific details regarding the required insurance are provided in our Manual:

- Comprehensive general liability insurance written on an occurrence form, including coverage for broad form contractual liability, broad form property damage, personal injury, advertising injury, completed operations, and products liability, in an amount not less than \$1,000,000 per occurrence, \$2,000,000 general aggregate, \$2,000,000 products/completed operations aggregate, \$1,000,000 personal and advertising injury, \$100,000 damage to any premises rented to you. The general liability coverage shall be written on a primary and non-contributory basis and include a waiver of subrogation endorsement in favor of us and shall not limit or exclude contractual liability. There should be no limitation or exclusion for sexual abuse or molestation coverage as coverage must be maintained for such actions.

- Employment related practices liability insurance, including third party coverage, in an amount not less than \$1,000,000 per occurrence and \$1,000,000 aggregate. Such insurance must include a deductible of no more than \$10,000 unless we approve a higher deductible in writing. Prior acts retroactive date must be no later than the effective date of your Franchise Agreement.

- Professional Liability insurance, in an amount not less than \$1,000,000 per occurrence and \$1,000,000 aggregate. Such insurance must include a deductible of no more than \$10,000 unless we approve a higher deductible in writing.

- Commercial automobile insurance written on a combined single limit basis for bodily injury and property damage with a limit of not less than \$1,000,000 per accident. Such insurance shall include coverage for owned, hired, and non-owned automobiles and shall include additional insured and waiver of subrogation endorsements in favor of us.

- Commercial umbrella or excess liability following form insurance in an amount not less than \$2,000,000 per occurrence and \$2,000,000 aggregate.

- Property insurance coverage to include coverage for replacement costs of all Franchisee-owned contents and tenant improvements at each location, and business interruption insurance for a period adequate to re-establish normal business operations, not to be less than twelve months. All property related coverage shall be written on special causes of loss forms with deductibles not to be greater than \$5,000 per occurrence.

- Workers' compensation (Coverage A) with statutory limits complying with the laws of the applicable state, and employer's liability (Coverage B) with limits not less than \$1,000,000 per accident, \$1,000,000 disease policy limit, and \$1,000,000 disease per employee. Such insurance shall include a waiver of subrogation endorsement in favor of us.

- Such other insurance as may be required by us from time to time or by the Property Owner of the Restaurant premises at, and by the state or locality in, which the Restaurant is located. All required insurance coverages may be obtained by separate primary policies, or in combination with umbrella or excess liability policies.

The insurance policies described above must: (i) have a deductible equal to or less than stated above; (ii) include a waiver of subrogation endorsement in favor of Franchisor; and (iii) not exclude contractual liability. The Commercial General Liability coverage shall include a Waiver of Subrogation endorsement in favor of Franchisor

and shall not limit or exclude Contractual Liability. There should be no limitation or exclusion for sexual abuse or molestation coverage.

The types and amount of insurance listed above represent the minimum coverage you are required to secure prior to opening your Restaurant. You may secure additional insurance. Additionally, local law and/or your Lease may require additional types of insurance and/or greater amounts of coverage. To the extent that your Lease requires additional policies and/or amounts of coverage, your Lease shall control although you are obligated to have each type of insurance identified above. We may require you, upon written notice to you, to increase the policy limits of the insurance policies described above and/or to acquire additional policies of insurance.

All insurance policies must be purchased through an agent or broker on our Approved Supplier list and be written by an insurance company that meets our approval. We may from time to time increase the minimum required coverage and/or require different or additional insurance coverage (including an additional umbrella liability insurance policy) at any time to reflect inflation, identification of new risks, changes in law or standards of liability, higher damage awards or other relevant changes in circumstances. We will provide you with written notice of such modifications and you must take prompt action to secure the additional coverage or higher policy limits. All insurance policies must name us and any affiliates we designate as additional named insureds and provide for 30 days' prior written notice to us of a policy's material modification, cancellation, or expiration.

These insurance policies must name us and any affiliates that we designate and our and their respective officers and owners as additional named insureds and provide for 30 days' prior written notice to us of a policy's material modification, cancellation, or expiration. Each insurance policy shall be specifically endorsed to provide that the coverage shall be primary, and that any insurance carried by any additional insured shall be excess and non-contributory.

Music

You must utilize our Approved Supplier of music at your Restaurant Franchised Business. Our Approved Supplier will require you to enter into a license agreement with them granting you the right to play approved music selections at your Franchised Business. The current expenses associated with the Music License Agreement are approximately \$59 per month. You may also be required to obtain additional ASCAP, BMI and/or SESAC licenses in conjunction with our approved music system.

We may operate and change the System in any manner that is not expressly or specifically prohibited by the Franchise Agreement.

Development Agreement

The Development Agreement does not require you to buy or lease from us (or our affiliates), our designees, or approved suppliers, or according to our specifications, any goods, services, supplies, fixtures, equipment, inventory, computer hardware and software, real estate, or comparable items. You must give us information and materials we request regarding each site at which you propose to operate a Restaurant so we can assess that site. The information and materials we may request is consistent with the information and materials we may request for site selection under the Franchise Agreement. (See Item 11).

ITEM 9 FRANCHISEE'S OBLIGATIONS

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

Obligation	Section in Franchise Agreement	Section in Development Agreement	Disclosure Document Item
a. Premises selection and acquisition/lease	5(A), 5(B) <u>5(A), 5(B)</u>	4(a) <u>1(a)</u>	8, 11, 12
b.- Pre-opening purchases/leases	6(B) <u>6(B)</u>	N/A <u>Not applicable</u>	8, 11
c. Premises development and other pre- opening requirements	6 <u>6</u>	N/A <u>Not applicable</u>	5, 8, 11
d.- Initial and ongoing training	11 <u>11</u>	N/A <u>Not applicable</u>	11
e. Opening	6(D) <u>6(D)</u>	4(b) <u>1(b)</u>	8, 11
f. Fees	7 <u>7</u>	2 <u>2</u>	5, 6, 7, 8
g. Compliance with standards and policies/operating manual	10, 12 <u>10, 12</u>	N/A <u>Not applicable</u>	8, 11, 12, 13, 16
h.- Trademarks and proprietary information	13 <u>13</u>	5(e) <u>5(c)</u>	13, 14
i. Restrictions on products/services offered	12(B) <u>12(B)</u>	5 <u>5</u>	8, 11
j. Warranty and customer service requirements	30(E) <u>30(E)</u>	N/A <u>Not applicable</u>	Not applicable
k.- Territorial development and sales quotas	3(A), 5(A) <u>3(A), 5(A)</u>	1 <u>1</u>	5, 12
l. Ongoing product/service purchases	12(B) <u>12(B)</u>	N/A <u>Not applicable</u>	8, 11, 16
m. Maintenance, appearance, and remodeling requirements	12(E) <u>12(E)</u>	N/A <u>Not applicable</u>	11
n.- Insurance	12(J) <u>12(J)</u>	N/A <u>Not applicable</u>	7
o.- Advertising	9 <u>9</u>	N/A <u>Not applicable</u>	6, 7, 8, 11
p.- Indemnification	23 <u>23</u>	13 <u>13</u>	6, 13, 14
q.- Owner's participation/management/staffing	14(D) <u>14(D)</u>	N/A <u>Not applicable</u>	15
r. Records and reports	7(S), 8(B) <u>7(S), 8(B)</u>	N/A <u>Not applicable</u>	6
s. Inspections and audits	8(D), 12(L) <u>8(D), 12(L)</u>	N/A <u>Not applicable</u>	6, 8
t. Transfer	15, 16 <u>15, 16</u>	10	6, 11
u.- Renewal	4(B) <u>4(B)</u>	N/A <u>Not</u>	6, 11

Obligation	Section in Franchise Agreement	Section in Development Agreement	Disclosure Document Item
		applicable	
v.- Post-termination obligations	20 20	N/A Not applicable	13, 14
w. Non-competition covenants	18 18	N/A Not applicable	13, 14, 17
x.- Dispute resolution	27 27	11	17

ITEM 10 FINANCING

We do not offer any direct or indirect financing or financing. We do not guarantee your note, lease, or obligation.

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

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

Pre-Opening Assistance

Before you open and begin operating the Restaurant, we will:

- Identify the Site Selection Area for you to select a site for the Restaurant. (See Section ~~5(A)~~[5\(A\)](#); Exhibit C: Franchise Agreement)
- We anticipate that you will operate the Restaurant in a commercial space that you will lease either from a third party or, in some instances, from us or our Affiliates. We will accept or not accept each site that you propose within the Site Selection Area within 30 days according to our general criteria for selection of a Restaurant site. The site must meet our criteria for location, occupancy costs, proximity to major retail activity and other Restaurants, sign visibility, and applicable retail structure. You must ~~submit and receive our acceptance of an acceptable site within the Site Selection Area and~~ execute a Lease for the Restaurant within five (5) months after you sign the Franchise Agreement (the "**Lease Execution Period**"). You must submit open your Restaurant within ~~one year~~[ten \(10\) months](#) after you sign the Franchise Agreement (the "**Opening Deadline Period**"). Your failure to find an acceptable site and open your Restaurant by the Opening Deadline Period may result in termination of your Franchise Agreement. (See Sections ~~5(A) and 19(B)(1)~~[5\(A\) and 19\(B\)\(1\)](#); Exhibit C: Franchise Agreement) and the franchisee's initial fee will be forfeited.
- After a Premises is identified, we will approve or disapprove (in our sole discretion) of the terms of the proposed lease agreement for your site within 30 days after you provide us with a copy of the terms. You must purchase or lease your business location from independent third parties. If you intend to lease your business location, the lease must include certain required provisions including a Franchisor Lease Addendum. (See Section ~~6(D)~~[6\(D\)](#); Exhibit C: Franchise Agreement).
- Designate the Protected Area for the Restaurant. The Protected Area granted to you will generally be a geographic area encompassing between ½ of one mile and one mile radius from the front door of your Restaurant (the "Protected Area") although the Protected Area may, in our discretion, be reduced, in certain high density population areas ("High-Density Areas") and/or be limited to a Non-Traditional Location (defined as an airport

terminal, train station, university, stadium, etc.) Currently, we consider New York City (including boroughs), Los Angeles (including suburbs), San Francisco, Chicago, Boston, Miami, Denver, and Honolulu to be High-Density Areas. We reserve the right to add additional High-Density Areas in the future. The factors that we will consider in establishing a proposed Protected Area include location, adjacent economic profiles, captive population, accessibility, competition, and proximity to major retail and business activity. (See Section ~~3(A)~~3(A); Exhibit C: Franchise Agreement).

5. Provide you with one copy of the Confidential Operations Manual, the current table of contents of which is attached as Exhibit H to this Disclosure Document. ~~As of the date of this Disclosure Document, T~~he Confidential Operations Manual contains approximately 245 pages. (See Section ~~10~~10; Exhibit C: Franchise Agreement).

6. Provide you with some of the rules, regulations, instructions, policies, and procedures you must operate the Restaurant strictly in accordance with. (See Sections ~~12~~12; Exhibit C: Franchise Agreement). The franchisor does not provide assistance with conforming the premises to local ordinances and building codes and obtaining any required permits, and/or constructing, remodeling, or decorating the premises, and/or hiring and training employees.

7. Assist you in identifying the furnishings, fixtures, and equipment (including cash registers, point of sale systems, and computer hardware and software), signs, products, materials, and supplies necessary or authorized for your Restaurant to begin operation. (See Sections ~~6(B) and 6(C)~~6(B) and 6(C); Exhibit C: Franchise Agreement). We do not currently provide written specifications for these items although we reserve the right to do so in the future. Currently, you will purchase these items from third parties although we may provide them directly in the future. We do not currently deliver or install these items for you.

8. Provide you with the names and contact information of any suppliers you are required or authorized to use to supply you with products or services that comply with our standards and specifications. The names and contact information of the Approved Suppliers and the written specifications for the approved equipment, signs, fixtures, opening inventory, and supplies are contained in the Confidential Operations Manual. Franchisor does not deliver or install any of these approved items. (See Sections ~~12(B)~~12(B); Exhibit C: Franchise Agreement).

9. Assist you, if you are opening a new Restaurant, in coordinating a grand opening promotional advertising program, or such other advertising program as we may specify. (See Section ~~9(A)~~9(A); Exhibit C: Franchise Agreement).

10. Train you and your designated representative. (See Section ~~11(A)~~11(A); Exhibit C: Franchise Agreement) We describe this training later in this Item.

11. Designate a specific number of Restaurants you must develop and open at accepted locations in the Development Area (if we grant you development rights). (See Exhibit D: Development Agreement). Some of the assistance noted above may be performed during the term of a Development Agreement but before the signing of a second or subsequent Franchise Agreement.

Ongoing Assistance

During the operation of your Restaurant, we will:

1. Provide you with information on our operating and other standards for your Restaurant. We may modify these as, and when, we desire. (See Section ~~12~~12; Exhibit C: Franchise Agreement).

2. Continue our efforts to maintain high and uniform standards of quality, cleanliness, appearance, and service at all Restaurants in the System, including making periodic inspections and quality service checks of your Restaurant. (See Section ~~12(L)~~12(L); Exhibit C: Franchise Agreement).

3. Provide one of our representatives to come to your Restaurant during opening week for up to three (3) days, at our expense, to work with you and/or your General Manager on opening, operating and marketing your Restaurant. You may request that our representative assist you for a longer period, but you will be required to pay us Ongoing Training Fees for additional time that our representative spends assisting you in opening your Restaurant. (See Sections ~~11(C), 11(D)~~; ~~Exhibit C: Franchise Agreement~~)

~~4. 11(C), 11(D) Establish, to the fullest extent allowed by applicable law, maximum, minimum, or other pricing requirements with respect to the prices you may charge for products and services. (See Section 12(M); Exhibit C: Franchise Agreement)~~

~~4.~~ ~~5.~~ Upon your request, reasonably assist you in resolving operating problems you may encounter. (See Section ~~11(E)~~11(E), Exhibit C: Franchise Agreement)

~~5.~~ ~~6.~~ Review proposed substitute locations and you must obtain our prior approval if you desire to relocate your Restaurant. (See Section ~~2(B)~~2(B); Exhibit C: Franchise Agreement).

~~6.~~ ~~7.~~ Offer you the option to renew your Franchise Agreement for: (i) one term of 10 years; and (ii) two consecutive five year terms if you meet our requirements at the time of each renewal. Upon renewal, you must execute our form of Franchise Agreement being used at the time of your renewal and pay us the applicable Renewal Fee although the term of that Franchise Agreement will be amended to be five years. (See Section ~~4(B)~~4(B); Exhibit C: Franchise Agreement).

~~7. Establish, to the fullest extent allowed by applicable law, maximum, minimum, or other pricing requirements with respect to the prices you may charge for products and services. (See Section 12(M); Exhibit C: Franchise Agreement).~~

Advertising Fund

We have established a National Advertising Fund (the “**Advertising Fund**”) that will include your Advertising Fund Contributions and those of other Restaurant franchisees, in accordance with each applicable Franchise Agreement (See Item 6 of this Disclosure Document). The Advertising Fund Contribution, which is a percentage of your Net Sales (See Exhibit C: Franchise Agreement) will be due and payable with the Royalty Fee (See Exhibit C: Franchise Agreement). All franchisees must contribute to the Advertising Fund at the same rate of up to 6% (currently 1.5%) of Net Sales (the “**Advertising Fund Contribution**”). If an affiliate of ours administers the Advertising Fund or places advertising in connection with the System, such affiliate may be paid a fee that will not exceed the fee that would be payable to unrelated third parties for comparable services. Each of our company-owned or affiliated Restaurants will make contributions to the Advertising Fund on the same basis as required of the other franchise owners in the same geographic market. We are not obligated to contribute any additional funds on advertising in your territory. Unless required by applicable law, we will have no obligation to create a trust account, escrow account, or other special account for the Advertising Fund, and the monies comprising the Advertising Fund may be placed in our general account(s) if we desire. We may also reserve portions of the Advertising Fund for use in a subsequent year. (See Section ~~9(C)~~9(C); Exhibit C: Franchise Agreement).

We do not currently have a franchisee advertising council. We may solicit franchisee input directly and/or form a franchise advisory council in the future to provide input to us on the use of the Advertising Fund, although we are not obligated to do so. We are not obligated to act on any specific proposals or recommendations from franchisees or a franchise advisory council if one is ever formed.

The Advertising Fund will be used for marketing, advertising, production, and media expenses to promote the Frank & Furter’s names, Systems, products, and services. The Advertising Fund may be used to pay any and all costs of maintaining, administering, directing, and preparing advertising, including the cost of preparing and conducting

television, radio, internet, social media, digital, electronic mail, magazine and newspaper advertising campaigns and other public relations activities, employing advertising agencies to assist in such campaigns or other activities, and providing customizable digital files and other marketing materials to franchise owners. We are entitled to receive the following from the Advertising Fund: reimbursement of our expenses, overhead, and employee salaries for services provided to the Advertising Fund and rent for office space provided to the Advertising Fund. Advertising Fund Contributions not spent in the fiscal year in which they accrue are rolled over to the next fiscal year. The Advertising Fund is not audited and the financial statements for the Advertising Fund are not available to franchisees. We may use an outside [national or regional](#) advertising agency to create and place advertising or we may use an in-house marketing department.

[We intend to use the Advertising Fund to maximize and enhance public, franchisee, and employee recognition of the System and the Marks. Although we may use the Advertising Fund, or portions of the monies in the Advertising Fund, to create, develop, use and/or place advertising and promotional marketing materials and programs on a local level, and we may try to engage in brand enhancement activities that will benefit all Frank & Furter's restaurants on a regional or national level, we cannot and do not ensure that Advertising Fund expenditures will be made in or affecting any geographic area, or will be proportionate or equivalent to Advertising Fund contributions by Frank & Furter's restaurants operating in that geographic area. We do not guarantee, nor are we obligated to spend any amount that you, your Restaurant or any Restaurant will benefit directly or in proportion to your Advertising Fund contribution from the brand enhancement activities of the Advertising Fund or the development of advertising and marketing materials or the placement of advertising and marketing.](#)

Because we did not implement the Fund during our 2022³ fiscal year, it has no operating history.

[We do not currently intend to use any portion of the Advertising Fund to solicit new franchise sales.](#)

Your Local Advertising

In addition to your Advertising Fund contributions and your grand opening marketing and advertising campaign, you must, during each calendar month, spend no less than \$2,500 or 3% of your Net Sales on approved local marketing programs, whichever is greater. We may audit your books and records to confirm that you have satisfied this requirement.

All advertising by you must be conducted in a professional manner, must conform to the standards and requirements in our Confidential Operations Manual, and must display our Marks only in those forms approved by us. You will submit samples to us (through e-mail, return receipt requested) and obtain our prior approval (except with respect to the cost of the advertising) of all advertising and promotional plans and materials that you desire to use and that have not been prepared or previously approved by us. If you do not receive our written approval within 15 days from the date of receipt by us of such materials, we will be deemed to have rejected the proposed advertising. We may make available to you, from time to time, approved advertising, promotional plans, and materials for purchase.

You may not maintain a website or otherwise maintain a presence or advertise on the Internet or any other public computer network in connection with your Restaurant without our prior written approval.

Cooperative Advertising Programs

[We do not currently require the establishment or operation of regional advertising cooperatives although we will not prevent the formation of franchisee cooperatives.](#)

~~We may, in our sole discretion form, develop, and coordinate cooperatives, establish a regional advertising cooperative ("Regional Co-op") in any designated marketing area ("DMA"). Currently, there are no regional or national marketing cooperatives for Restaurants franchisees. We encourage our franchisees to form and operate~~

~~voluntary franchisee cooperative regional advertising associations (each a “Cooperative”). If a Cooperative is formed for your region, you must participate in the Cooperative or lose your right to vote as to Cooperative matters. The membership of the Cooperative would be defined by us by market area. We reserve the right at any time, in our sole discretion, to form, change, dissolve, or merge Cooperatives and you will be obligated to contribute to the Cooperative in an amount established and approved by the Cooperative that will be in addition to your other required marketing expenditures.~~ The Regional Co-op shall be organized and governed in a form and manner and shall commence operations on a date approved in advance by us in writing. We may, if we so elect, prepare bylaws to be used by the Regional Co-op and may require the Regional Co-op to incorporate. Once a Regional Co-op is established in a DMA in which your Restaurant is located, you shall become a member of such Regional Co-op and be required to contribute to the Regional Co-op as determined by its members no later than 30 days after the date on which the Regional Co-op commences operation. In no event shall you be required to be a member of more than one Regional Co-op with respect to your Restaurant. You shall submit your Co-op Contribution to the Regional Co-op monthly, together with such statements or reports as may be required by us (or by the Regional Co-op with our prior written consent). Monies in the Regional Co-op may be spent for the purposes determined by a majority vote of the Regional Co-op.

If and when established, each Regional Co-op shall be organized, if at all, for the exclusive purpose of administering regional marketing programs and developing, subject to our approval, standardized promotional materials for use by its members in local advertising. All advertising, marketing and promotions shall be submitted to us prior to first use as provided in Section 9(D)(3) of the Franchise Agreement and shall adhere to the standards listed in Section 9(D)(4) of the Franchise Agreement.

We shall be a member of the Regional Co-op and be entitled to attend and fully participate in Regional Co-op meetings; however, we shall not have a vote unless we or our affiliates operate a Restaurant in the Development Area covered by the Regional Co-op. If the members of the Regional Co-op are unable or fail to determine the manner in which Regional Co-op monies should be spent, we may assume this decision-making authority following 10 days’ advance written notice to the members of the Regional Co-op. We, or our designee, may grant to any franchisee an exemption for any length of time from the requirement of membership in any Regional Co-op, upon written request of such a franchisee stating reasons supporting an exemption. Decisions regarding a request for exemption shall be final. We or our designee shall have the right to terminate (and subsequently restart) any Regional Co-op. Upon termination, all monies in that Regional Co-op shall be spent for advertising and/or promotional purposes.

Computer System

We require you to exclusively use a designated point-of-sale system to record all your sales during the operation of your Restaurant, the components of which are identified in the Confidential Operations Manual (the “POS System”). We require that the manufacturer or its authorized representative to service the POS System, at your cost. You will be required to maintain the POS System in good working order at all times, and to upgrade or update the POS System during the term of your Franchise Agreement as we may require from time to time. There are no contractual limitations on the frequency or cost for Franchisee to upgrade or update the POS System during the term of the Franchise Agreement. ~~It will be your responsibility to enter into contracts for the maintenance, support, upgrades, and updates to the POS System with an Approved Supplier of such services identified in either the Confidential Operations Manual or other notification to you from us advising of suppliers for your market area.~~ Your POS System cost per Restaurants will depend, among other things, on your Restaurant’s size and configuration, the system options you choose and/or the types of telephone and internet access services available. You are required to obtain a high speed/always on internet connection service for your POS System. This requirement shall be defined by the then-current Confidential Operations Manual, which may change from time to time. You may be required, from time to time, to upgrade the POS System’s hardware and/or software, at your sole cost and expense, in order to maintain the POS System in conformity with our then current requirements. You and your employees must complete training for the POS System as we require. If you are buying an existing Restaurants

with an older system, it is a requirement for the transfer that you purchase and install the then current POS System in your Restaurant. (See Section ~~16(B)(10)~~16(B)(10); Exhibit C: Franchise Agreement).

It will be your responsibility to enter into contracts for the maintenance, support, upgrades, and updates to the POS System with an Approved Supplier of such services identified in either the Confidential Operations Manual or other notification to you from us advising of suppliers for your market area. We have no obligation to provide ongoing maintenance, repairs, upgrades, or updates to your POS System.

We estimate that the annual costs associated with required or optional maintenance, support, upgrades, and updates will be \$1,000 annually.

You are required to buy a POS System and other required hardware (“**Computer System**”) and software in connection with the operation of your Restaurant. The current cost of the Computer System is \$4,538-6,500. This amount includes the POS System, and a computer system with basic capability to interact with the internet, to receive and send emails using the email address we provide for you, word processing and spread sheet capabilities, to submit orders, and to receive monthly statements for purposes of operating your business generally. ~~No specific type of data is necessary to be generated or stored in the computer system.~~ You are also required to pay a monthly Technology Fee of ~~\$1,700~~800 per month for technology services that we provide to you or license from others to provide to you for required maintenance updating or upgrading for the point of sale system. There are no contractual limitations on our right to access the information generated or stored in the eComputer sSystem. We will have independent access to the sales and related sales information generated or stored in the eComputer sSystem.

You must obtain credit card and gift card processing services from our designated vendor, which will be the same vendor used by Franchisor or affiliate owned Restaurants. The charges associated with credit card and gift card transactions are compiled per transaction and therefore will vary from Restaurant to Restaurant. We estimate that the costs associated with credit card transactions will be between 2% and 4% of your credit card and gift card generated Net Sales although this is subject to change.

We require that you permit us to poll your sales information on a daily basis. We require you to execute an Electronic Funds Transfer Agreement (which is attached to this Disclosure Document as Exhibit E), permitting us to debit your account for payment of: (a) Royalty Fees; (b) Advertising Fund Contributions; (c) other amounts payable to us; and (d) product purchases from us or our Affiliates; (See Section ~~7(R)~~7(R); Exhibit C: Franchise Agreement).

Opening

The typical length of time between the earlier of the signing of the Franchise Agreement or the first payment of consideration for obtaining the right to open and operate a Restaurant and the opening of a Restaurant is nine to twelve months. The factors that may affect this time are lease negotiations; zoning procedures; financing applications; local ordinances and approvals; obtaining licenses and permits; construction delays; weather conditions; shortages; delayed installation of equipment, fixtures, and signs; development or construction not in accordance with our requirements; labor disputes; Acts of God; and other reasons.

Training

We will make an initial training program (the “**Training Program**”) available to you and your designated representative after you sign the Franchise Agreement. The Initial Training Fee for three (3) individuals is included with the payment of your Initial Franchise Fee. If you require additional people to attend the Training Program, you will pay us a fee of \$1,000 per additional person. Training of the additional people may be held at the same time as training of the initial three people, at our election. All Training Program attendees bear their own travel, lodging, and meal expenditures in connection with attending. The following table indicates the general subject matter, the days each subject is covered, the number of hours of classroom training, and the number of hours of “on-the-job”

training for each subject to be covered during the Training Program, and who will be performing each section of the Training Program. Our instructors are experienced and adequately trained in the ownership and operation of a Restaurant. Each instructor will have no less than one (1) year of restaurant experience.

The person in charge of the Training Program is ~~Mark Meintosh~~Francis Gonzalez who has been with the company since June 2024. Mr. ~~Meintosh~~Gonzalez has approximately ~~40~~28 years of relevant experience in the food and beverage field. Any employees involved with training will have at least two years of relevant experience in the restaurant industry. Other personnel involved with on-the-job training of franchisees are third party training specialists who may assist us in developing the Training Program. During the classroom portion of the Training Program, staffing, kitchen management, inventory control, marketing and sales, POS/back office system, reporting and administration will be taught using the Restaurant Confidential Operations Manual. (See Section 3; Exhibit C: Franchise Agreement).

In-store training will be taught in a certified training Restaurant using our Confidential Operations Manual. Certain portions of the Training Program may be altered or eliminated based upon your skill set. Further, substitute instructors may handle certain portions of the Training Program.

TRAINING PROGRAM

Subject	Hours of Classroom Training	Hours of On-the-Job Training	Location
Day 1: Orientation, Brand History, Review Schedule, Review Ops Manual, Menu Review, Review Station Guides & Daily Operating Procedures, Initial Prep, Food Safety	8		At training facility we designate
Day 2: Prep Training, Line Set-up, Opening Procedures, Opening Checklist, Cashier Station Training, Management Paperwork	1	9 10	At training facility we designate
Day 3: Opening Procedures, Opening Checklist, Mid-day Checklist, Shake Station Training, Expo Training, Management Paperwork, Ordering	1	9 10	At training facility we designate
Day 4: Opening Procedures, Opening Checklist, Receiving Orders, Fry	4	9	At training facility we designate
<u>Day 4: Station Training, Expo Training Sauce Prep, Management Paperwork, Inventory</u>	<u>2</u>	<u>10</u>	<u>At training facility we designate</u>
Day 5: Inventory, Opening Procedures, Opening Checklist, Grill Station Training, Management Paperwork, Conduct an QSCE	1	9 10	At training facility we designate
Day 6: Prep Training, Opening Procedures, Opening Checklist, Assembly Training, Shift change/cashier change out, Management Paperwork	1	9 10	At training facility we designate

Subject	Hours of Classroom Training	Hours of On-the-Job Training	Location
Day 7: OFF			At training facility we designate
Day 8: Customer Service, Local Marketing, Grill Station Training, Prep List, Order Guide, Invoices, Closing Procedure and Checklist, Manager paperwork	4	8 <u>10</u>	At training facility we designate
Day 9: Food Storage, Inventory, Assembly Station Training, Prep List, Closing Procedures and Checklist, Manager paperwork	2	8 <u>10</u>	At training facility we designate
Day 10: EOW reporting, Food and Paper Costs, Scheduling, Fry Station Training, Prep List, Closing Procedures, Closing Checklist, Manager paperwork	2	8 <u>10</u>	At training facility we designate
Day 11: Food and Paper Costs, Order Guide, Payroll, Maintenance, Expo and Shake Station Training, Closing Procedures, Closing Checklist, Manager paperwork	2	8 <u>10</u>	At training facility we designate
Day 12: MIT runs shift while trainer shadows	0	10	At training facility we designate
Day 13: Review previous days successes and opportunities with Trainer, MIT Runs Shift while trainer shadows	1	10	At training facility we designate
Day 14: Final Exam, POS, ordering, equipment maintenance, service providers, the owner/operator items needed	10		At training facility we designate
Total	34 <u>35</u>	97 <u>110</u>	

You or another partner, shareholder or member of your business organization, and your General Manager must successfully complete our Training Program ~~to our satisfaction~~. If you wish to own and operate multiple Restaurants, you must continuously employ a minimum number of General Managers who have successfully completed our Training Program. You and your General Managers must be able to read and write English fluently, in our good faith opinion, to satisfactorily complete our Training Program, and to communicate with employees, customers and suppliers. ~~If at any time prior to the opening or during the operation of your Restaurant you hire a new General Manager, the new manager must successfully complete the Training Program. The fee for a new manager to attend the Training Program is \$2,500 per person.~~

The classroom portion of the Training Program will be held in Scottsdale, Arizona, a certified training store, or at such other location(s) as we may designate in our sole discretion. You will need to arrange for transportation, food, and lodging for you and your designated attendees. The costs you incur will depend on the distance you must travel and the type of accommodations you choose. The Training Program is currently offered as needed by each particular franchisee, although we reserve the right to set a Training Program schedule in the future.

You must complete the Training Program no more than eight weeks and no less than one week prior to the opening of your Restaurant.

In addition to the Training Program, you must ensure that all of your employees are trained in our procedures. You are solely responsible for hiring and training your employees. You must also ensure that the manager(s) and all employees whose duties include customer service are able to read and write English fluently and any other language that may be required to meet the public needs in your Restaurant. We believe training is important to the success of the Restaurant System, and from time to time, we may offer formal and informal training sessions to franchisees. You must attend, and you should require your employees to attend, any such training sessions. You must purchase any online, DVD or streaming training programs that we may make available to you from time to time. In order for your employees to operate these programs, you must purchase and make available a computer to present these training courses in your Restaurant.

We may hold mandatory refresher or additional training programs, conferences, and seminars. Your attendance at these programs is mandatory. To help us defray the cost of sponsoring these programs, there ~~may be a nominal registration fee~~ you will be required to pay an ongoing training fee of up to \$1,000 per day plus reimbursement of any travel expenses (“Ongoing Training Fee”) in connection with these programs, and you will be required to pay the cost of transportation, food, lodging, and other personal expenses of your attendance and those of your personnel at any such program. These programs will be held at locations within the United States that we will specify in our sole discretion.

The summary of total training days does not include travel days. Depending on where you are traveling from, you may be required to arrange for additional time to travel to and from our training program location.

ITEM 12 TERRITORY

Franchise Agreement

If no Premises has been designated at the time you sign the Franchise Agreement, your Franchise Agreement will outline a geographic area in which your Restaurant will be located (the “Site Selection Area”). When you have formally secured the Premises in the Site Selection Area, the Site Selection Area becomes null and void and your Franchise Agreement will be updated with the address of the Premises and your rights will be limited to the Protected Area. During the Lease Execution Period (which is the 5 month period following the date that we sign the Franchise Agreement), you must identify a Premises for your Restaurant and execute a Lease to secure such Premises. During the Opening Deadline Period (which is the ~~one-year~~ 10 month period following the date that we sign the Franchise Agreement), you must obtain our approval of the Premises for your Restaurant, execute a Lease for the approved Premises, and open the Restaurant for business or we, at our option, may terminate the Franchise Agreement.

You will operate the Restaurant within a specific Protected Area that we will establish prior to you signing the Franchise Agreement. We will describe the Protected Area in the Franchise Agreement before you sign it. The Protected Area will be different for each Restaurant. The Protected Area granted to you will generally be a geographic area encompassing ½-1 mile radius from the front door of your Restaurant (the “Protected Area”) although the Protected Area may, in our discretion, be reduced, in certain high density population areas (“High-Density Areas”) ~~and/or be limited to a Non-Traditional Location (defined as an or in connection with~~ airport terminals, train stations, universities, stadiums, etc.) Currently, we consider New York City (including boroughs), Los Angeles (including suburbs), San Francisco, Chicago, Boston, Miami, Denver, and Honolulu to be High-Density Areas. We reserve the right to add additional High-Density Areas in the future. The factors that we will consider in establishing a proposed Protected Area include location, adjacent economic profiles, captive population, accessibility, competition, and proximity to major retail and business activity.

We will give you the right to operate a Restaurant at the single specific Premises identified in the Franchise Agreement. Except as described below under “**Development Agreement**,” you have no options, rights of first refusal, or similar rights to acquire additional franchises within the Protected Area or in contiguous territories.

The Protected Area granted to you will generally be a geographic area encompassing between ½ of one mile and one mile radius from the front door of your Restaurant (the “Protected Area”) although the Protected Area may, in our discretion, be reduced, in certain high density population areas (“High-Density Areas”) and/or be limited to a Non-Traditional Location (defined as an airport terminal, train station, university, stadium, etc.) Currently, we consider New York City (including boroughs), Los Angeles (including suburbs), San Francisco, Chicago, Boston, Miami, Denver, and Honolulu to be High-Density Areas. We reserve the right to add additional High-Density Areas in the future. The factors that we will consider in establishing a proposed Protected Area include location, adjacent economic profiles, captive population, accessibility, competition, and proximity to major retail and business activity. (See Section 3(A); Exhibit C: Franchise Agreement).

You may not operate the Restaurant at any location other than the Premises and you may not relocate your Restaurant without our prior written consent. Our consent may be conditioned upon, among other things, your deposit with us of \$2,500 as a Relocation Fee. The Relocation Fee is intended to cover our administrative expenses associated with reviewing and administering your proposed relocation. If we approve your relocation, we will retain the entire Relocation Fee. If we disapprove of your proposed relocation, we will return the Relocation Fee minus our reasonable costs and expenses in reviewing the proposed relocation.

~~If no Premises has been designated at the time you sign the Franchise Agreement, your Franchise Agreement will outline a geographic area in which your Restaurant will be located (the “Site Selection Area”). When you have formally secured the Premises in the Site Selection Area, the Site Selection Area becomes null and void and your Franchise Agreement will be updated with the address of the Premises and your rights will be limited to the Protected Area. During the Opening Deadline Period (which is the one-year period following the date that we sign the Franchise Agreement), you must obtain our approval of the Premises for your Restaurant, execute a Lease for the approved Premises, and open the Restaurant for business or we, at our option, may terminate the Franchise Agreement.~~

~~If your right to the location of your Restaurant expires or is terminated for any reason, then your right to operate your Restaurant shall be simultaneously terminated. If your Franchise Agreement is terminated we do not have an obligation to replace your Restaurant, to offer you another Restaurant, or to pay you any compensation.~~

~~We and our affiliates retain certain rights within and outside the Protected Area, as described below in this Item. Therefore, you will not receive an exclusive territory. You may face competition from other Restaurant franchisees, from outlets that we own, or from other channels of distribution or competitive brands that we control.~~

We do not grant you any options, right of first refusals or other similar rights to acquire additional franchises. Your rights in the Protected Area are not contingent upon the achievement of any sales volume, market penetration, or other contingencies.

Except as limited below, as long as you are in full compliance with the Franchise Agreement, ~~the Development Agreement, if applicable~~, and any other franchise agreement or development agreement ~~rider~~ between you and your Affiliates, on one hand and Franchisor and its Affiliates, on the other, we and our Affiliates will not operate, or license others to operate another Restaurant at a location in the Protected Area. Your rights in the Protected Area do not limit the operation of Restaurants that are under construction or in operation in the Protected Area as of the effective date of the Franchise Agreement.

We (for ourselves and our Affiliates and designees) retain all rights with respect to the Marks, the System, all Confidential Information, all copyrights and copyrighted materials and the sale of Restaurants products or other

related products anywhere in the world, including the right to:

- (1) operate (and license others to operate) any type of business other than a Restaurant at any location inside ~~or outside~~ the Protected Area.
- (2) provide, offer and sell (and license others to provide, offer and sell) products and services that are identical or similar to and/or competitive with those provided at or from Restaurants, whether identified by the Marks or other trademarks or service marks, through alternative distribution channels (including, without limitation, the Internet or similar electronic media, any other form of electronic commerce and supermarkets) ~~both inside and outside~~ the Protected Area;
- (3) operate (and license others to operate) Restaurants located anywhere outside the Protected Area regardless of proximity to Franchisee's Restaurants.
- (4) acquire the assets and/or ownership interests of one or more businesses providing products and services the same as or similar to those provided at Restaurants, and franchising, licensing, or creating similar arrangements with respect to these businesses once acquired, wherever these businesses (or the franchisees or licensees of these businesses) are located or operating (including in the Protected Area).
- (5) be acquired (whether through acquisition of assets, ownership interests or otherwise, regardless of the form of transaction), by a business providing products and services the same as or similar to those provided at Restaurants, or by another business, even if such business operates, franchises and/or licenses competitive businesses in the Protected Area.
- (6) create, place, and/or distribute or authorize others to create, place and/or distribute any advertising and promotional materials, which may appear in media, or be received by prospective customers located, within the Protected Area; and
- (7) open or allow others to open Restaurants in Special Locations inside or outside the Site Selection Area, Area, and/or Protected Area.

For purposes of this Disclosure Document, Franchise Agreement and Development Agreement, a “**Special Location**” means a ghost/virtual kitchen and any other site that generates customer traffic flow which is independent from the general customer traffic flow of the surrounding area, including, without limitation, a shopping mall, an airport, a train station, a bus terminal, a travel plaza, a toll road, a major industrial or office complex, a hotel or resort, a school, a campus, an educational facility, a hospital, a military base, a state or national park, a casino, a stadium or sports and entertainment venue, and an amusement park.

You may not market the Restaurant or use the Marks on the Internet without our prior authorization and then only in the manner prescribed by us. We generally do not otherwise restrict the persons you solicit, or the methods by which you promote the Restaurant. However, if you utilize any form of direct advertising directed at defined prospective customers, the advertising may be directed only to customers located within your Protected Area. We do not limit customers from outside your Protected Area from ordering food or products from your Restaurant.

If your right to the location of your Restaurant expires or is terminated for any reason, then your right to operate your Restaurant shall be simultaneously terminated. If your Franchise Agreement is terminated we do not have an obligation to replace your Restaurant, to offer you another Restaurant, or to pay you any compensation.

We may exercise any of the retained rights without compensating you. Although we have the right to do so (as described above), neither we nor an affiliate currently operates, franchises, or has present plans to operate or franchise a business under a different trademark that sells or will sell goods or services similar to those you will sell

in the Restaurant.

~~You may not market the Restaurant or use the Marks on the Internet without our prior authorization and then only in the manner prescribed by us.~~

~~Continuation of your franchise and your territorial exclusivity does not depend on your achieving a certain sales volume, market penetration, or other contingency.~~

We do not operate and do not currently plan to operate or franchise a business under a different trademark that will offer goods and services that are similar to the goods and services that you will offer at your Restaurant.

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

Development Agreement

You may (if you qualify) develop and operate a number of Restaurants within the Development Area. While the Development Agreement is in effect, we (and our affiliates) will not establish or operate or grant to others the right to establish or operate other Restaurants the physical premises of which are located within the Development Area. There are no other restrictions on us (or our affiliates).

We and you will identify the Development Area in the Development Agreement before signing it. The Development Area typically is a city, cities, or counties. We base the Development Area's size primarily on the number of Restaurants you agree to develop, population, per person or family income, current and potential development, your financial strength, and certain other related factors. We and you will negotiate the number of Restaurants you must develop to keep your development rights and the dates by which you must develop them, although you must develop, open, and operate at least three (3) Restaurants under the Development Agreement. We and you will then complete the schedule in the Development Agreement before signing it. ~~While the Development Agreement is in effect, we (and our affiliates) will not establish or operate or grant to others the right to establish or operate other Restaurants the physical premises of which are located within the Development Area. There are no other restrictions on us (or our affiliates).~~ You must not develop or operate Restaurants outside the Development Area. We may terminate the Development Agreement if you do not satisfy your development obligations when required.

We (for ourselves and our Affiliates and designees) retain all rights with respect to the Marks, the System, all Confidential Information, all copyrights and copyrighted materials and the sale of Restaurants products or other related products in the Development Area, including the right to:

- (1) operate (and license others to operate) any type of business other than a Restaurant at any location inside the Development Area.
- (2) provide, offer and sell (and license others to provide, offer and sell) products and services that are identical or similar to and/or competitive with those provided at or from Restaurants, whether identified by the Marks or other trademarks or service marks, through alternative distribution channels (including, without limitation, the Internet or similar electronic media, any other form of electronic commerce and supermarkets) inside the Development Area;
- (3) operate (and license others to operate) Restaurants located anywhere outside the Development Area regardless of proximity to Franchisee's Restaurants.
- (4) acquire the assets and/or ownership interests of one or more businesses providing products and services the same as or similar to those provided at Restaurants, and franchising, licensing, or

creating similar arrangements with respect to these businesses once acquired, wherever these businesses (or the franchisees or licensees of these businesses) are located or operating (including in the Development Area).

(5) be acquired (whether through acquisition of assets, ownership interests or otherwise, regardless of the form of transaction), by a business providing products and services the same as or similar to those provided at Restaurants, or by another business, even if such business operates, franchises and/or licenses competitive businesses in the Development Area.

(6) create, place, and/or distribute or authorize others to create, place and/or distribute any advertising and promotional materials, which may appear in media, or be received by prospective customers located within the Development Area; and

(7) open or allow others to open Restaurants in Special Locations inside or outside the Development Area. For purposes of this Disclosure Document, Franchise Agreement and Development Agreement, a “Special Location” means a ghost/virtual kitchen and any other site that generates customer traffic flow which is independent from the general customer traffic flow of the surrounding area, including, without limitation, a shopping mall, an airport, a train station, a bus terminal, a travel plaza, a toll road, a major industrial or office complex, a hotel or resort, a school, a campus, an educational facility, a hospital, a military base, a state or national park, a casino, a stadium or sports and entertainment venue, and an amusement park.

Our approval of locations for Restaurants under the Development Agreement will be based upon our then current site approval criteria. In addition, if you fail to comply with the terms of the Development Agreement during its term, we may, at our option, elect to ~~terminate only the exclusivity of~~ develop or allow others to develop Restaurants in the Development Area without your participation or involvement instead of terminating the Development Agreement entirely. In such an instance, you will not be entitled to receive any portion of the fees collected from such franchises. This means that during the remainder of the term of the Development Agreement, we and our affiliates will have the right to establish and operate and grant ~~to~~ others the right to establish and operate, Restaurants the physical premises of which are located within the Development Area and continue to engage, and grant ~~to~~ others the right to engage, in any activities that we (and they) desire within the Development Area without any restrictions. However, our ~~termination of the exclusivity~~ exercise of these rights will be without prejudice to ~~our right to~~ later terminate the Development Agreement for the same default or any other defaults under the Development Agreement.

~~Except for our control of social media accounts, we generally do not restrict the persons you solicit, or the methods by which you promote the Restaurant. However, if you utilize any form of direct advertising directed at defined prospective customers, the advertising may be directed only to customers located within your Area. We do not limit customers from outside your Area from ordering food or products from your Restaurant.~~

If the Development Agreement expires or terminates, but one or more of your Franchise Agreements remains in effect, we ~~may~~ will not establish or grant any franchise to a third party for the establishment of a Restaurant within the Protected Area.

~~Despite the development schedule under the Development Agreement, we~~ We may delay your development of additional Restaurants within the Development Area for the time period we deem best if we believe, when you apply for the next Restaurant, that you are not yet operationally, managerially, or otherwise prepared (due to the particular amount of time that has elapsed since you developed and opened your most recent Restaurant) to develop, open and/or operate the additional Restaurant according to our standards and specifications. We may delay additional development as long as the delay will not in our reasonable opinion cause you to breach your development obligations under the development schedule (unless we are willing to extend the schedule to account for the delay).

Except as described above, we may not alter your Development Area during the Development Agreement's term.

Provided that you have substantially complied with the terms of the Development Agreement, including satisfaction of the development schedule, you satisfy our then current financial criteria for franchisees, and no event of default relating to any monetary obligations owed to us or our Affiliates under the Development Agreement, any franchise agreement or any other agreement between you or any of your Affiliates and us or any of our Affiliates has (A) occurred and is continuing; or (B) occurred during the 12 months preceding your request for consent, whether or not such event of default was cured or curable, you will have a right of first offer ("ROFO") to develop Restaurants within the Development Area after the expiration of the Development Agreement and through the one year anniversary of the expiration of the Development Agreement ("ROFO Period"); provided that this right will not prohibit us from exercising any of our reserved rights under the Development Agreement during the ROFO Period.

Except for the ROFO described above, you have no options, rights of first refusal, or similar rights to acquire additional franchises or additional development territories beyond the development rights granted to you in the Development Area during the term of the Development Agreement.

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




ITEM 13 TRADEMARKS

You may use certain Marks in operating the Restaurant. Parent has registered the following Marks with the United States Patent and Trademark Office on the Principal Register:

<u>Mark</u>	<u>Registration Number</u>	<u>Registration Date</u>	<u>International Class</u>
<u>FRANK & FURTER'S</u>	<u>7699162</u>	<u>February 18, 2025</u>	<u>043</u>

~~None.~~

Parent has pending applications with the United States Patent and Trademark Office for the following Marks:

<u>Mark</u>	<u>Serial Number</u>	<u>Application Date</u>	<u>International Class</u>
<p>FRANK & FURTER'S</p> 	<p>98222799<u>99162262</u></p>	<p>October 13<u>April 29, 2023</u>5</p>	043
	98431964	March 4, 2024	043
	98436237	March 6, 2024	043

On February 1, 2024, we entered into a license agreement with Parent that grants us the exclusive right and license, to develop, operate, and grant franchises to qualified third parties using the Confidential Information, Marks, and System throughout the world. The term of the license agreement is 75 years. It is terminable upon a default of the license agreement but includes provisions that a termination of the license agreement will not impact your right to continue utilizing the Marks, Confidential Information, and System subject to your compliance with your Franchise Agreement.

If Parent or Franchisor's right to use those Marks is challenged, you may have to change to an alternative trademark, which may increase your expenses. Parent has informed us that once registered, all affidavits of use required to be filed to maintain registrations of the Marks will be filed.

Except as described above, no agreements limit our right to use or license the use of the Marks. You must follow our rules when you use our Marks. Use of the Marks must be accompanied by the registration, service mark (SM),

or trademark (™) in close proximity to the trademark. You cannot use the Marks as part of your corporate, partnership, Limited Liability Company, or other entity name. You may not use our trademarks in connection with the sale of an unauthorized product or service or in a manner not authorized in writing by us. You may not directly or indirectly contest or aid in contesting the validity of the trademarks or the ownership of the trademarks by us, nor may you directly or indirectly apply to register or otherwise seek to use or control our trademarks or any confusingly similar variation or form, nor may you assist any others to do so. You must modify or discontinue the use of a Mark if we modify or discontinue it, at your sole cost.

You must immediately notify us of any apparent infringement of, or challenge to your use of, any of our trademarks, or any claim by any person of any rights in any of our trademarks. You must not communicate with any person other than us and our legal counsel in connection with any such infringement, challenge, or claim. We or Parent will have the sole discretion to take such action, as we may deem appropriate to protect our trademarks and the exclusive right to control any litigation, Patent and Trademark Office proceeding, or other proceeding arising out of any such infringement, challenge, or claim or otherwise relating to our trademarks. The Franchise Agreement does not require us to take affirmative action when notified of these uses or claims, but indicates we have the sole discretion to take such action as we may deem appropriate. You must execute such documents, render such assistance, and do such acts and things as may in the opinion of our counsel be necessary or advisable to protect and maintain our interests in connection with any such litigation or proceeding, or to otherwise protect and maintain our interests in our trademarks.

The Franchise Agreement requires that we indemnify and hold you harmless for, from and against any and all claims, liabilities, causes of action, demands, obligations, costs, and expenses, including ~~reasonable~~ attorneys' fees, arising out of any claim of infringement or unfair competition in connection with your use of our trademarks, provided that such use is in accordance with the provisions of the Franchise Agreement.

We and/or Parent may, in our sole discretion, modify or discontinue use of any of the above- referenced trademarks and/or use one or more additional or substitute service marks or trademarks. If we decide to do so, you must do so also, at your own expense. The Franchise Agreement does not provide you with any additional rights if we require you to modify or discontinue using a trademark.

We are not aware of any pending or threatened litigation regarding the Marks.

Except as described above, we do not know of any superior prior rights or infringing uses or effective material determinations of the United States Patent and Trademark Office, Trademark Trial and Appeal Board, trademark administrator of this state or of any court, nor do we know of any pending infringement, opposition or cancellation proceeding that could materially affect your use of our trademark. We do not know of any pending material federal or state court litigation regarding our use or ownership rights in the above registered trademarks or pending applications.

ITEM 14 PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION

We own or have been licensed the right to use proprietary information and rights in numerous items, such as menu formats, advertising designs, processes, techniques, formulae for Frank & Furter's recipes, formulas, and other information contained in the Confidential Operations Manual and related documents. In connection with the operation of the franchise, we may disclose to you certain information in which we claim proprietary rights. In addition, although we have not yet registered the copyright with the U.S. Copyright Office, the Confidential Operations Manual is protected against unauthorized copying under U.S. Copyright laws for 100 years from the date of creation or 75 years from the date of publication, whichever is shorter. You must use the proprietary information only in the manner required by us and in no other manner. This information is strictly confidential, and you may not disclose it to any person, or use any of that information for any purpose, except disclosure to a person who has signed and delivered to us a confidentiality agreement, and you may only use this information as necessary

in connection with the operation of your Restaurant. In addition, you must fully and strictly comply with all security measures required by us for maintaining the confidentiality of all information designated by us as trade secrets.

Franchisor does not own or license any patents that are material to the operation of Restaurants. No other agreements limit our right to use or license the use of our statutory copyright of the Confidential Operations Manual.

We do not know of any current material determinations of the United States Patent and Trademark Office, United States Copyright Office, or of any court, nor do we know of any effective determinations or any material proceedings pending in the United States Patent and Trademark Office or of any court regarding the patent application. We do not know of any patent or copyright infringement that could materially affect the franchisee.

If you or your Principals, officers, managers, or employees conceive, invent, create, design and/or develop any ideas, techniques, methods, processes or procedures, recipes, formulae, products, advertising and promotional materials, packaging or other concepts and features relating to store operations, business practices, or the manufacturing, production, marketing or sale of menu items, they will be deemed works-made-for-hire and you or your Principals will be deemed to have assigned all of your or their rights, title and interest in the Innovations, including any intellectual property rights, to us. You and your Principals, officers, managers, and employees also must cooperate with us in connection with protecting the Innovations.

You will not have the exclusive right to use our proprietary information, nor will you acquire, by use or otherwise, any right, title, or interest in or to the proprietary information other than as expressly contained in, and limited by, the Franchise Agreement. Your right to use our proprietary information is limited and temporary. Upon expiration or termination or abandonment of the Franchise Agreement or your Restaurant, you may not, directly, or indirectly, use our proprietary information in any manner or for any purpose whatsoever.

You must immediately notify us and/or our affiliates of any conduct that could constitute infringement of or challenge to our proprietary information. We will decide, in our sole discretion, whether to institute any action in connection with infringement of or challenge to our proprietary information and will control all proceedings and litigation. The Franchise Agreement does not require us to take affirmative action when notified of infringement, but indicates we have the sole discretion to take such action as we may deem appropriate. We are not required to protect your right to use the proprietary information. As indicated in the Franchise Agreement, we will indemnify you for all damages for which you are held liable in any lawsuit arising out of your proper use of our proprietary information in compliance with the Franchise Agreement. You will be required to provide reasonable assistance to us, at our cost, in connection with our defense of any such claims.

We may, in our sole discretion, modify or discontinue use of our proprietary information and/or use other information and/or rights in its place. If we decide to do so, you must do so at your expense. The Franchise Agreement does not provide you with any additional rights if we require you to modify or discontinue use of our proprietary information. However, if we require you to modify or discontinue use of our proprietary information and/or use other information and/or rights in its place at any time other than upon renewal of the Franchise Agreement, and that requirement is a direct result of proceedings or litigation that determined that our and our franchisees' use of the proprietary information infringed upon a third party's rights, we will bear the cost of those modifications or discontinuances.

Each principal of the franchisee shall be bound by the confidentiality and non-competition provisions of this Agreement and shall sign each agreement we require to confirm such obligations. Each manager and employee of Franchisee who attends the Training Program or who is subsequently trained by the Franchisee, or its manager is and will be bound by the confidentiality provisions included in the Confidential Operations Manual and shall be required to execute a standard Non-Disclosure Agreement. As a franchisee, you will be required to obtain the signature of your employees on the Employee's Confidentiality Agreement. If you fail to obtain the signature of any employee who learns confidential information, you will be responsible for all costs and expenses incurred by

us in enforcing the Employee’s Confidentiality Agreement and its terms upon said employees.

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

You may sign the Franchise Agreement individually, or as a corporation, partnership, or a limited liability company composed solely of shareholders/members who are individuals and not corporations, limited liability companies, or any other legal entities. If you sign the Franchise Agreement individually you must meet the qualifications of an Operating Principal. If Franchisee is a corporation, partnership, or limited liability company, you must designate an individual to serve as your Operating Principal. The Operating Principal must: (i) devote full time and best efforts to the supervision and conduct of the Restaurants which you developed and operate; (ii) successfully complete the Initial Training Program; (iii) own a majority of the equity interest in your corporation or limited liability company during the entire period he serves as Operating Principal; (iv) execute the Franchise Agreement and be individually bound by all your obligations under those agreements; and (v) be approved by us.

If an Operating Principal is unable or elects not to continue to meet their obligations as Operating Principal, or if, in our sole discretion, an Operating Principal no longer qualifies to act as such, you must promptly designate another Operating Principal. The same individual may serve as your Operating Principal and of all or any of the franchised Restaurants controlled by you.

You must take such precautions as we deem necessary to ensure that your Operating Principal maintains confidentiality of the information described in [Item 14](#) and conforms with the covenants not to compete described in [Item 17](#).

Your Restaurants must at all times be under the direct, on premises supervision of a manager who has satisfactorily completed our Training Program. You must also maintain a competent, conscientious, trained staff, including a fully trained manager, co-managers or staff as may be necessary to properly operate your Restaurants. We impose no limitations as to whom you may hire as the Restaurant managers except with respect to the Operating Principal, and except that you must comply with all applicable laws and that you must not harm the goodwill associated with the System and the Proprietary Marks (this requirement may affect who you hire as your manager). We will not have an employment, special employment, or joint employment relationship with your owners, members, shareholders, managers, employees, agents, and contractors. You are fully responsible for the acts and omissions of your employees and managers.

The Operating Principal, manager, and other employees may also be required to enter into an agreement not to compete with Restaurants under the System and an agreement not to reveal confidential information obtained in the course of their employment with you. See [Item 17](#) for a description of these obligations.

Each individual who owns an interest in your corporation or limited liability company must sign the Franchise Agreement in their individual capacity and a guaranty agreeing to be bound by all the terms and conditions of the Franchise Agreement including any amendments and to unconditionally guarantee the payment of all liabilities incurred by you, as Franchisee, at any time and must sign as additional signatories the Franchise Agreement.

[Depending on the creditworthiness of the Principals and the community property laws of the states in which they reside, we may also require that the spouse of each Principal sign our “Guaranty and Assumption of Obligations” which may include confidentiality and non-competition covenants.](#)

ITEM 16 RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

You must offer and sell all products and services which are part of the Frank & Furter’s System, and all services and products we incorporate into the Frank & Furter’s System in the future. You may not use the Marks for any

other business. You must use the Premises solely for the operation of a Restaurant and keep it open and in normal operation for such minimum hours and days as we may periodically specify or approve in writing. You must not use, or permit the use of, the Premises for any other purpose or activity at any time without first obtaining our written consent.

You must meet and maintain the highest health standards and ratings applicable to the operation of the Restaurant. To ensure that the highest degree of quality, cleanliness, appearance, and service is maintained, you must operate the Restaurant in strict conformity with such methods, standards, and specifications as we may periodically require in the Manual or otherwise in writing. You must also maintain in sufficient supply and use at all times only such ingredients, products, materials, supplies, and packaging as conform to our standards and specifications, and you must not deviate from those standards and specifications by the use or offer of non-conforming items, without our prior written consent.

You must sell, or offer for sale only such items, products, and services as we have expressly approved for sale in writing. You must sell, or offer for sale, all items, products, and services specified by us, and you must not deviate from our standards and specifications without our prior written consent. You must discontinue selling and offering for sale any items, products, or services, which we may, in our discretion, disapprove in writing at any time. We have the right to change the types of authorized menu items, goods and services, and there are no limits on our rights to make changes.

You must offer all services that we may require including all proportional programs, contests, and other System services and activities.

You must operate the Restaurant in strict conformity with all applicable federal, state, and local laws, ordinances, and regulations. Such laws, ordinances and regulations vary from jurisdiction to jurisdiction and are amendable or may be implemented or interpreted in a different manner from time to time. It is your sole responsibility to apprise yourself of the existence and requirements of all laws, ordinances, and regulations applicable to the then-current implementation or integration of them.

For a description of your restrictions on some purchases, see Item 8 of this Disclosure Document.

ITEM 17 RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION THE FRANCHISE RELATIONSHIP

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

Provision	Section in Franchise Agreement	Section in Development Agreement	Summary
a. Length of the Term of the Franchise	<u>4(A)</u>	<u>6(a)</u>	<p>The initial Term of the Franchise Agreement is 10 years. The term –of Development –Agreement –depends on development obligations.</p> <p><u>The Development Agreement will expire on the date that the last Development Deadline is met.</u></p>

Provision	Section in Franchise Agreement	Section in Development Agreement	Summary
b. Renewal or extension of the Term	4(B)	Not Applicable	<p>At the expiration of the Term, you may with our approval and consent renew the Franchise Agreement for one consecutive term of ten years and two consecutive five year terms.</p> <p>No renewal or extension of Development Agreement.</p>
c. Requirements for you to renew or extend	4(B)	7	<p>At the time of each renewal, Franchisee, if not in breach of any agreement with Franchisor: must notify Franchisor in writing of its intention to renew at least six months (but not more than 12 months) before the end of each then current Term (Initial or Renewal), and at its expense, remodel and update the Restaurant to Franchisor’s then current standards. In addition, Franchisee must sign the form of franchise agreement then being signed by new franchisees and will be subject to the terms of that franchise agreement, which may include materially different terms and conditions from the original franchise agreement, other than the Term, which will be five years and also must sign a general release of Franchisor and its Affiliates, in the form that Franchisor may require, as well as attend any training programs or refresher courses that Franchisor requires.</p> <p>You may extend the term of the Development Agreement by paying a monthly Extension Fee.</p>
d.- Termination by you	19(A)	Not Applicable	<p>Upon the material default by Franchisor of one or more provisions of this Franchise Agreement if the Franchisee provides written notice of the default to Franchisor along with no less than 60 days to cure the default. If the default outlined in Franchisee’s notice of default cannot be cured within 60 days and Franchisor is making commercially</p>

Provision	Section in Franchise Agreement	Section in Development Agreement	Summary
			reasonable efforts to cure the default, the cure period shall be extended for an additional 60 days. Franchisee may terminate the franchise agreement under any grounds permitted by law.
e. Termination by us without cause	N/A Not Applicable	N/A Not Applicable	N/A Not Applicable
f. Termination by us with cause	19(B)	6(b), 6(c)	We may terminate your franchise (and development rights) only if you or your owners commit one of several violations.
g. “Cause” defined— defaults that can be cured	19(B)	Not Applicable	Franchisee is in material default, and Franchisor may terminate this Agreement and/or seek an injunction, monetary damages, and/or other relief, in Franchisor’s sole discretion, upon the occurrence of any “Events of Default,” each of which, individually, constitutes “good cause” for termination, if Franchisee does not cure monetary defaults within 10 days, insufficient working capital within 30 days, impermissible transfer within 30 days, incomplete training requirements, or other obligations within 30 days. The terms of the Development Agreement permits Franchisor to also terminate a Developer’s single unit Franchise Agreement(s), and vice versa.
h. “Cause” defined— defaults that cannot be cured	19(C)	6(b), 6(c)	Franchisee is in material default, and Franchisor may terminate this Agreement and/or seek an injunction, monetary damages, and/or other relief, in Franchisor’s sole discretion, upon the occurrence of any “Events of Default,” each of which, individually, constitutes “good cause” for termination. We may terminate the Development Agreement if you do not meet development schedule or other obligations; if the Franchise Agreement or any other franchise agreement between us and you (or your affiliated entity) is terminated by us for cause or by you for any or no reason; or we have

Provision	Section in Franchise Agreement	Section in Development Agreement	Summary
			delivered formal notice of default to you (or your affiliated entity) under the Franchise Agreement or another franchise agreement (whether or not default is cured). A termination of the Development Agreement is not deemed to be the termination of any franchise rights granted under any then- effective individual franchise agreements.
i. Your obligations on termination/non-renewal	20	Not Applicable	<p>Franchisee must:</p> <ol style="list-style-type: none"> 1. Forfeit all fees paid and promptly return to Franchisor Franchisor’s Confidential Operations Manual, all training materials, all recipes and all other property of Franchisor (including all materials relating to the Marks, the Copyrights, the Innovations or the Confidential Information); Franchisor may enter the Premises of your Restaurant and recover Franchisor’s Confidential Operations Manual, all training materials, all recipes and all other property of Franchisor (including all materials relating to the Marks, the Copyrights, the Innovations or the Confidential Information); Comply with each and every of the covenants that survive termination set forth in Section 12 of the Franchise Agreement. <p>Immediately (a) cease using the Marks, the Copyrights, the Innovations and the Confidential Information, (b) cancel all assumed names or equivalent business registrations relating to the use of the Marks, (c) notify the telephone company and all listing agencies of the termination of Franchisee’s right to use the Marks and, if requested by Franchisor, of Franchisee’s assignment of Franchisee’s telephone numbers to Franchisor, (d) not, directly, or indirectly, identify himself with Franchisor or the Marks and (e) if requested by Franchisor or the Landlord, renovate the Premises of your Restaurant to eliminate</p>

Provision	Section in Franchise Agreement	Section in Development Agreement	Summary
			<p>the Marks and de-identify such Premises to remove all Trade Dress, returning it to a “vanilla shell,” at Franchisee’s expense; Pay to Franchisor, within 10 days of expiration or termination of this Agreement, all amounts outstanding to Franchisor or its Affiliates from Franchisee or their Affiliates.</p> <p>Franchisor may, but will not be obligated to, purchase, or have its designee purchase and Franchisee shall be obligated to sell to Franchisor: all, or any portion of, Franchisee’s signage and menu boards, equipment, and other tangible assets of your Restaurant for an amount equal to the Value (as defined in the Franchise Agreement).</p> <p>Franchisor, or its designee, may, but will not be obligated to, pursuant to the Franchisor Lease Addendum, assume Franchisee’s future obligations under the Lease and continue the operations of Franchisee’s Restaurants in Franchisor’s, or its designee’s, name.</p>
j. Assignment of contract by us	15	11(b)	No restriction on our right to assign; we may assign without your approval
k. “Transfer” by you — definition	16	11(a)	Any transfer of an equity interest in Franchisee or transfer of some or all of the assets of Franchisee, by operation of law or otherwise, and any merger or consolidation of Franchisee (if a corporation, partnership, limited liability company or other entity) will be deemed to be a transfer.
l. Our approval of transfer by franchise owner	16(B)	11(a)	<p>We are willing to allow you to transfer your Restaurant to a new franchisee if they meet our then current standards for new franchisees and you comply with our requirements for transferring your Restaurant.</p> <p>Your development rights under the Development Agreement are not assignable at all.</p>

Provision	Section in Franchise Agreement	Section in Development Agreement	Summary
			Franchisee may not assign or otherwise transfer, by operation of law or otherwise, his rights under this Agreement without the prior written consent of Franchisor, which consent may be withheld by Franchisor in its sole discretion
m. Conditions for our approval of transfer	16(B)	11(a)	The prospective Transferee must satisfy our then- current qualifications for franchisees; establish that the financial or other terms of the transfer will not adversely impact upon the Transferee’s operation of the Restaurant; Franchisee (or their Principals, officers, managers or employees) or the Transferee (if they are an existing franchisee of Franchisor) must not be in breach of, or default under this Agreement; payment of a Transfer Fee.
n. Franchisor’s right of first refusal to acquire franchisee’s business	16(G)		We have the right, exercisable within 10 days after receipt of the notice specified in Section 16(B)(1) or Section 16(D) to send written notice to you that we intend to purchase the interest proposed to be transferred.
o. Our option to purchase your business	16(G)	Not Applicable	Within 30 days after Franchisor’s receipt of all of the Required Materials, Franchisor will notify Franchisee that the Franchisor desires to purchase Franchise rights under this Agreement, upon the same terms and conditions as are offered by the Transferee, the transfer is approved or disapproved, at Franchisor’s election.
p. Your death or disability	16(D)	11(a)	<p>FA: Franchisee or their legal representative must, within 90 days after Franchisee’s death, disability, or dissolution of marriage, transfer the Restaurant to a person or entity approved by Franchisor.</p> <p>DA: Franchisee may not assign or otherwise transfer, by operation of law or otherwise, his rights under this Agreement without the prior written</p>

Provision	Section in Franchise Agreement	Section in Development Agreement	Summary
			consent of Franchisor, which consent may be withheld by Franchisor in its sole discretion.
¶q. Non-competition covenants during the term of the franchise	18(A)	Not Applicable	Franchisee may not, during the term of the Agreement directly or indirectly (as an owner, partner, director, officer, employee, manager, consultant, shareholder, representative, agent, lender or otherwise), be engaged in a business, restaurant, kiosk, or food truck offering hot dogs, sausages, and burgers, fries, shakes, and other foods and beverages subject to applicable state law.
¶r. Non-competition covenants after the Franchise Agreement is terminated or expires	18(B)	Not Applicable	Franchisee may not, during the term of the Agreement and for the one-year period after the expiration or termination of this Agreement, in a defined geographic area, for any reason, directly or indirectly (as an owner, partner, director, officer, employee, manager, consultant, shareholder, representative, agent, lender or otherwise), be engaged in a business, restaurant, kiosk, or food truck offering hot dogs, sausages, and burgers, fries, shakes, and other foods and beverages subject to applicable state law within a 5-mile radius of the outer boundaries of the Protected Area; and within 5 miles of any other Restaurant in operation or under construction.
¶s. Modification of the Agreement	26	12	Franchisor may modify and amend Franchisor's Confidential Operations Manual and to issue rules, regulations, instructions, policies, and procedures for the conduct of Restaurants from time to time, in its sole discretion, without obtaining the consent or approval of Franchisee. Other than through the modification and/or amendment of the Confidential Operations Manual, no amendment, modification or waiver of any condition, provision or term of the Franchise Agreement or Development Agreement

Provision	Section in Franchise Agreement	Section in Development Agreement	Summary
			will be valid or of any effect unless made in a writing.
st. Integration/merger clause	26	14	Only the terms of the Franchise Agreement or Development Agreement are binding (subject to state law). Any representations or promises outside the Disclosure Document and Franchise Agreement may not be enforceable. No claim made in any franchise Nothing in this or any related agreement is intended to disclaim the express representations made in this Franchise Disclosure Document, its exhibits and amendments .
tu. Dispute resolution by arbitration or mediation	27(A)	26	Any controversy or dispute that arises between the parties related in any way to this Agreement or the relationship between the parties must be submitted to non-binding mediation before an action may be brought in a court of competent jurisdiction or in arbitration (subject to applicable state law).
uv. Choice of forum	27(C)	17	Except as prohibited by state franchise law, litigation must be in jurisdiction where our principal offices are located (subject to applicable state law).
vw. Choice of law	27(B)	17(a)	Except to the extent governed by the U.S. trademark laws or the franchise laws of any state, Arizona law applies (subject to state law).

ITEM 18 PUBLIC FIGURES

There are no public figures that own an interest in or that are involved in the sale or promotion of Frank 7 Furter's franchises.

ITEM 19 FINANCIAL PERFORMANCE REPRESENTATIONS

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

~~We do not make any representations about a franchisee’s future~~ Franchisor provides one (1) financial performance ~~or the past financial performance of company-owned or franchised outlets~~ representation in this disclosure document: Net Sales at One Traditional and Two Non-Traditional Frank & Furter’s Restaurants (Three (3) Total Restaurants) from April 2024 through March 2025. ~~We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet.~~ If you receive any other financial performance information or projections of your future income, you should report it to the franchisor’s management by contacting Lyle Myers, Chief Development Officer, Frankfurters Franchising LLC, 4250 N Drinkwater Blvd, Suite #165, Scottsdale, Arizona 85251, and 888-303-3399, the Federal Trade Commission, and the appropriate state regulatory agencies.

NET SALES AT ONE TRADITIONAL AND TWO NON-TRADITIONAL FRANK & FURTER’S RESTAURANTS (THREE (3) TOTAL RESTAURANTS) FROM APRIL 2024 THROUGH MARCH 2025.

<u>Traditional Franchised Locations</u>													
<u>April 2024-March 2025</u>													
<u>Location</u>	<u>24-Apr</u>	<u>24-May</u>	<u>24-Jun</u>	<u>24-Jul</u>	<u>24-Aug</u>	<u>24-Sep</u>	<u>24-Oct</u>	<u>24-Nov</u>	<u>24-Dec</u>	<u>25-Jan</u>	<u>25-Feb</u>	<u>25-Mar</u>	<u>Total</u>
<u>Berryessa</u>	<u>\$56,213</u>	<u>\$63,026</u>	<u>\$57,205</u>	<u>\$57,812</u>	<u>\$66,768</u>	<u>\$50,197</u>	<u>\$60,366</u>	<u>\$44,026</u>	<u>\$51,205</u>	<u>\$66,926</u>	<u>\$68,415</u>	<u>\$86,990</u>	<u>\$729,149</u>

<u>Non-Traditional Franchised Locations</u>													
<u>April 2024-March 2025</u>													-
<u>Location</u>	<u>24-Apr</u>	<u>24-May</u>	<u>24-Jun</u>	<u>24-Jul</u>	<u>24-Aug</u>	<u>24-Sep</u>	<u>24-Oct</u>	<u>24-Nov</u>	<u>24-Dec</u>	<u>25-Jan</u>	<u>25-Feb</u>	<u>25-Mar</u>	<u>Total</u>
<u>Valley Fair</u>	<u>\$56,074</u>	<u>\$59,907</u>	<u>\$67,110</u>	<u>\$65,855</u>	<u>\$60,225</u>	<u>\$49,508</u>	<u>\$50,127</u>	<u>\$63,038</u>	<u>\$83,767</u>	<u>\$67,001</u>	<u>\$63,632</u>	<u>\$77,245</u>	<u>\$763,489</u>
<u>Oakridge</u>	<u>\$33,985</u>	<u>\$36,565</u>	<u>\$40,193</u>	<u>\$44,733</u>	<u>\$37,045</u>	<u>\$28,327</u>	<u>\$30,078</u>	<u>\$32,990</u>	<u>\$42,090</u>	<u>\$31,520</u>	<u>\$36,795</u>	<u>\$39,643</u>	<u>\$433,964</u>

Explanatory Notes

- (1) **Time Period:** The three Restaurants included in this financial performance representation were rebranded from a different restaurant concept in March 2024. This financial performance representation reflects each Restaurant's first 12 months of operations after the rebrand.
- (2) **Traditional Franchised Location:** We currently have one traditional franchised location. We define a traditional franchised location as a Restaurant in a retail inline strip center location or free standing restaurant that includes between 1000-2000 square feet of retail space. We intend to focus our brand and store layouts on traditional franchised locations.
- (3) **Non-Traditional Franchised Locations:** We currently have two non-traditional franchised locations that operate in mall food courts. We define non-traditional franchise locations as mall food courts, airports, military bases, universities, hospitals, office buildings, bus/train stations. We do not intend to focus our brand and store layouts on non-traditional franchise locations but are including the results of these locations as we may, in certain circumstances, agree to allow you to operate a non-traditional location.
- (4) The Restaurants included in this financial performance representation are the only Restaurants in operation at the time that this financial performance representation is made.
- (5) Written substantiation for the representation will be made available to the prospective franchisee upon your reasonable request.
- (6) **These Restaurants have generated the above results. Your individual results may differ. There is no assurance that you'll sell as much.**

ITEM 20 OUTLETS AND FRANCHISEE INFORMATION

Table 1
Systemwide Outlet Summary For years 2021~~2~~ to 2023~~4~~

Column 1 Outlet Type	Column 2 Year	Column 3 Outlets at the Start of the Year	Column 4 Outlets at the End of the Year	Column 5 Net Change
Franchised	2021 2	0	0	0
	2022 3	0	0	0
	2023 4	0	0 3	0 +3
Company-Owned	2021 2	0	0	0
	2022 3	0	0	0
	2023 4	0	0	0
Total Outlets	2021 2	0	0	0
	2022 3	0	0	0
	2023	0	0	0
	2024	0	3	+3

* There are three (3) Frank & Furter's restaurants that opened in California in 2024.

Table 2
Transfers of Outlets from Franchisees to New Owners (other than the Franchisor)
For years 2021~~2~~ to 2023~~4~~

Column 1 State	Column 2 Year	Column 3 Number of Transfers
All states	2021 2	0
	2022 3	0
	2023 4	0
Total	2021 2	0
	2022 3	0
	2023 4	0

Table 3
Status of Franchised Outlets For years 20212 to 20234

Column 1 State	Column 2 Year	Column 3 Outlets at Start of Year	Column 4 Outlets Opened	Column 5 Terminations	Column 6 Non-renewals	Column 7 Reacquired by Franchisor	Column 8 Ceased Operations - Other Reasons	Column 9 Outlets at End of the Year
All States California	2021 <u>2</u>	0	0	0	0	0	0	0
	2023	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
	2024	<u>0</u>	<u>3</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>3</u>
All Other States	2022	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	0
Totals	2021 <u>4</u>	0	0	0	0	0	0	0
Totals	2022	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	0
	2024	<u>0</u>	<u>3</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>3</u>

*There are three (3) franchised Frank & Furter's restaurants that opened in California in 2024.

Table 4
Status of Affiliate owned Outlets For years 20212 to 20234

Column 1 State	Column 2 Year	Column 3 Outlets at Start of Year	Column 4 Outlets Opened	Column 5 Outlets Reacquired from Franchisee	Column 6 Outlets Closed	Column 7 Outlets Sold to Franchisee	Column 8 Outlets at End of the Year
All States	2021 <u>2</u>	0	0	0	0	0	0
	2022 <u>3</u>	0	0	0	0	0	0
	2023 <u>4</u>	0	0	0	0	0	0
Totals	2021 <u>2</u>	0	0	0	0	0	0
	2022 <u>3</u>	0	0	0	0	0	0
	2023 <u>4</u>	0	0	0	0	0	0

Table 5
Projected Openings as of December 31, 20234

Column 1 State	Column 2 Franchise Agreements Signed But Outlet Not Opened	Column 3 Projected New Franchised Outlets In The Next Fiscal Year	Column 4 Projected New Company- Owned Outlets in the Next Fiscal Year
Arizona	0	3	<u>0</u> <u>2</u>
California	0	4	0
Florida	0	1	0
Texas	0	2	0
Totals	0	10	<u>0</u> <u>2</u>

The above tables provide information about the Restaurants in our franchise system. As of ~~the date of this Disclosure Document, December 31, 2024~~ and as currently reflected in Exhibit L attached, we do not have any franchisees operating Restaurants or former franchisees that have departed our franchise network during our prior fiscal year. Therefore, no franchisees had an outlet terminated, canceled, transferred, or not renewed, or otherwise voluntarily or involuntarily ceased to do business under our franchise agreement, during our last fiscal year or who have not communicated with us within 10 weeks of this Disclosure Document's issuance date. If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

~~In some instances, current and former franchisees may be required to sign provisions restricting their ability to speak openly about their experience with Frank & Furter's System. You may wish to speak with current and former franchisees but be aware that not all such franchisees will be able to communicate with you.~~

During the last three (3) fiscal years, no current and/or former franchisees have signed confidentiality clauses that restrict them from discussing with you their experiences as a franchisee in our franchise system.

If you are purchasing a company-owned outlet from one of our affiliates that was previously owned by a franchisee but is now owned and operated by our affiliate, or us, we ~~will~~may provide you with an addendum to this Disclosure Document disclosing additional information for that outlet.

There are no trademark-specific franchisee organizations associated with the franchise system being offered under this Disclosure Document that have been created, sponsored, or endorsed by us.

ITEM 21 FINANCIAL STATEMENTS

Franchisor has not been in business long enough to provide the financial statements generally required by this Item. Attached as Exhibit ~~DJ~~ is are audited financial statements dated April 30, 2025 for Franchisor as of December 31, 2024 and an audited opening balance sheet for Franknfurters Franchising LLC dated January 31, 2024. Franchisor's fiscal year end is December 31.

ITEM 22 CONTRACTS

The following agreements and other required exhibits are attached to this Disclosure Document in the pages immediately following and identified as Exhibits:

Exhibit	Agreement
C	Franchise Agreement
D	Development Agreement
E	EFT Preauthorization
F	Form of General Release
G	Franchisor Lease Addendum
I	State Specific Disclosures and Addendums to Franchise Agreement
K	Franchisee Questionnaire
N	Receipts

ITEM 23 RECEIPTS

Exhibit M to this Disclosure Document includes detachable Receipts acknowledging that you received this Disclosure Document. Please return one Receipt to Franknfurters Franchising, LLC and retain the other for your records. If you are missing these Receipts, please contact us at this address or telephone number:

Frankfurters Franchising LLC
4250 N Drinkwater Blvd, Suite #165
Scottsdale, Arizona 85251
Lyle Myers
franchise@frank-furters.com
888-303-3399

Exhibit A
List of State Administrators

Federal Franchise Regulators:
Federal Trade Commission
Division of Marketing Practices
Seventh and Pennsylvania Avenues, N.W., Room 238
Washington, DC 20580
202-326-2970

STATE FRANCHISE REGULATORS

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

Los Angeles
320 West 4th Street, Suite 750
Los Angeles, CA 90013-2344
(213) 576-7500

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

San Diego
1455 Frazee Road, Suite 315
San Diego, CA 92108
(619) 610-2093
(866) 275-2677

San Francisco
One Sansome Street, Suite 600
San Francisco, CA 94104
(415) 972-8559

HAWAII:
Commissioner of Securities
Department of Commerce and
Consumer Affairs
Business Registration Division
Securities Compliance Branch
335 Merchant Street, Room 203
Honolulu, Hawaii 96813
(808) 586-2722

ILLINOIS:
Illinois Attorney General
500 South Second Street
Springfield, IL 62706
(217) 782-4465

INDIANA:
Securities Commissioner
Securities Division, Room E-111
302 West Washington Street
Indianapolis, IN 46204

(317) 232-6681

MARYLAND:
Office of the Attorney General,
Division of Securities
200 St. Paul Place
Baltimore, MD 21202-2020
(410) 576-6360

MICHIGAN:
Kathryn Barron
Franchise Administrator Antitrust
and Franchise Unit
Consumer Protection Division
Department of Attorney General
670 Law Building
525 W. Ottawa Street
Lansing, MI 48913
(517) 373-7117

MINNESOTA:
Commissioner
Department of Commerce
85 7th Place East, Suite #280
St. Paul, MN 55101
(651) 539-1600

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

NORTH DAKOTA:
North Dakota Securities Department
State Capitol, 5th Floor
600 East Boulevard Avenue
Bismarck, ND 58505-0510
(701) 328-2910

OREGON:
Div. of Finance & Corp. Securities
(608) 266-8557
Department of Consumer & Business
Services, Room 410

350 Winter Street, NE
Salem, OR 97301-3881
(503) 378-4140

RHODE ISLAND:
Department of Business Regulation
Securities Division
Bldg. 69, First Floor
John O. Pasture Center
1511 Pontiac Avenue
Cranston, Rhode Island 02920
(401) 462-9585

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

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

WASHINGTON:
Securities Division
Department of Financial Institutions
150 Israel Road, SW
Tumwater, WA 98501
(360) 902-8760

WISCONSIN:
Division of Securities
Bureau of Regulation &
Enforcement
Department of Financial Institutions,
4th Floor
345 W. Washington Avenue
Madison, WI 53703

Exhibit B

Agents for Service of Process

LIST OF AGENTS FOR SERVICE OF PROCESS

CALIFORNIA

Commissioner of
Department of
Financial Protection and Innovation
2101 Arena Blvd.
Sacramento 95834
www.dfpi.ca.gov and email Ask.DFPI@dfpi.ca.gov.

DELAWARE

Corporation Service Company
251 Little Falls Drive
Wilmington, Delaware 19808

HAWAII

Commissioner of Securities
Department of Commerce and Consumer Affairs
Business Registration Division
Securities Compliance Branch
335 Merchant Street, Room 203
Honolulu, Hawaii 96813

ILLINOIS

Illinois Attorney General
500 South Second Street
Springfield, IL 62706

INDIANA

Securities Commissioner
Indiana Secretary of State
201 State House
Indianapolis, IN 46204

MARYLAND

Maryland Securities Commissioner
200 St. Paul Place
Baltimore, MD 21202-2020
410.576.6360

MICHIGAN

Michigan Department of Commerce
Corporations and Securities Bureau
6546 Mercantile Way
Lansing, MI 48910

MINNESOTA

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

NEW YORK

~~New York~~ Secretary of State
99 Washington Avenue
Albany, NY 12231-0001

NORTH DAKOTA

Securities Commissioner of North Dakota
State Capitol, 5th Floor
600 East Boulevard Avenue
Bismarck, ND 58505

OREGON

Director of the Department of Consumer and
Business Services
350 Winter Street NE, Room 410
Salem, OR 97301-3881

RHODE ISLAND

Director of Department of Business Regulation
Securities Division
John O. Pastore Center, Bldg. 69, 1st Floor
1511 Pontiac Avenue
Cranston, RI 02920
(401) 462-9585

SOUTH DAKOTA

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

VIRGINIA

Clerk, Virginia State Corporation Commission
1300 East Main Street, 1st Floor
Richmond, VA 23219
(804) 371.9733

WASHINGTON

Director, Securities Division
Department of Financial Institutions
150 Israel Road, SW
Tumwater, WA 98501
[\(360\) 902-8760](tel:3609028760)

WISCONSIN

Wisconsin Commissioner of Securities
Department of Financial Institutions, 4th Floor
345 W. Washington Avenue
Madison, WI 53703

Exhibit C
Franchise Agreement

FRANK & FURTERS FRANCHISE AGREEMENT

By and Between

FRANKNFURTERS FRANCHISING LLC

And

[FRANCHISEE]

Dated

TABLE OF CONTENTS

1.	PREAMBLES.....	1
2.	GRANT OF FRANCHISE.....	1
3.	FRANCHISE RIGHTS.....	2
4.	TERM.....	3
5.	DEVELOPMENT PROCEDURES.....	4
6.	CONSTRUCTION OF YOUR RESTAURANT.....	6
7.	FEES.....	8
8.	RECORDKEEPING AND REPORTS.....	11
9.	MARKETING.....	12
10.	MANUAL.....	16
11.	TRAINING AND ASSISTANCE.....	17
12.	SYSTEM STANDARDS.....	19
13.	MARKS.....	27
14.	YOUR ORGANIZATIONAL STRUCTURE.....	28
15.	TRANSFER BY US.....	30
16.	TRANSFER BY YOU.....	30
17.	GENERAL RELEASE.....	33
18.	COVENANTS.....	34
19.	TERMINATION.....	36
20.	OBLIGATIONS UPON TERMINATION OR EXPIRATION.....	38
21.	OUR OPTION TO PURCHASE CERTAIN ASSETS OF YOUR RESTAURANT.....	39
22.	RELATIONSHIP OF THE PARTIES.....	41
23.	INDEMNIFICATION.....	41
24.	SEVERABILITY AND CONSTRUCTION.....	42
25.	CONSENTS, APPROVALS AND WAIVERS.....	43
26.	ENTIRE AGREEMENT.....	43
27.	DISPUTE RESOLUTION.....	44
28.	MISCELLANEOUS.....	45
29.	NOTICES AND PAYMENTS.....	46
30.	ACKNOWLEDGMENTS.....	46

EXHIBITS TO FRANCHISE AGREEMENT

Exhibit 1-Franchisee Information

Exhibit 2-Listing of Ownership Interests

Exhibit 3- Agreement to Be Bound and to Guarantee

Exhibit 4- Authorization for Prearranged Payments and Credits

Exhibit 5-State Addenda

Franchise Agreement

THIS **FRANCHISE AGREEMENT** (“Agreement”) is made and entered into as of _____ (“Effective Date”) by and between **Frankfurters Franchising LLC**, a Delaware limited liability company (“Frankfurters Franchising,” “Franchisor” “we,” “us,” or “our”), and **FRANCHISEE** (“you” or “your” or “Franchisee”).

1. PREAMBLES.

(A) We and our parent and affiliates have invested considerable time, effort, and money to develop a unique system (“System”) for the operation of businesses under the name “Frank & Furter’s” that operate restaurants that offer freshly prepared, cooked to order, high quality hot dogs, sausages, and burgers with a variety of toppings as well as fresh cut fries, shakes, and other foods and beverages including wine and beer where permitted by law on an eat-in or take out basis in a family friendly warm, and lively environment (each a “Restaurant”).

(B) The distinguishing characteristics of the System include, without limitation, our current and subsequently developed interior and exterior design, special décor elements, layout, furnishings, fixtures, color schemes, display units, graphics and designs, signs, quality of food products, recipes, menu items, menu design, vendor lists, -and inventory; procedures for operations; proprietary computer software; quality and uniformity of services and products offered, staff and customer recruitment and retention programs, local, regional and national events, procedures for training and assistance, advertising and promotional programs, and business formats, methods, procedures, designs, layouts, standards, and specifications, which we may change, improve and further develop from time to time.

(C) We identify the System by the “Frank & Furter’s,” name and mark and certain other names, marks, logos, insignias, slogans, emblems, symbols, and designs (collectively, “Marks”), which we have designated, or may in the future designate, for use with the System. The Marks are owned by our Parent, Frankfurters Inc. (“Frankfurters Inc.”) and licensed to us for use by the System.

(D) You would like to obtain a license to use the System and the Marks and to operate a franchised Restaurant at the location specified in Exhibit 1 (“Premises”), subject to the terms and conditions of this Agreement and in strict compliance with the high and uniform standards of quality, operations and service established by us for the System (“System Standards”).

(E) You acknowledge the importance of the System Standards and the necessity of developing and operating your Restaurant in strict conformity with this Agreement, the System Standards, and the Restaurant operations manual (“Manual”).

(F) We are willing to grant you the opportunity to develop and operate a Restaurant at the Premises, subject to the terms and conditions of this Agreement.

2. GRANT OF FRANCHISE.

(A) Grant. Subject to the terms of this Agreement, we grant you a license (“Franchise”) to operate a Restaurant at the Premises and to use the System and Marks in the operation of a Restaurant. If you have not identified and received our approval of the Premises before you sign this Agreement, the Premises will be identified and included on Exhibit 1 as described in Section ~~5(A)~~5(A).

(B) Relocation. You may not operate your Restaurant at any site other than the Premises and you may not relocate your Restaurant without our prior written consent, which may be withheld by us in our sole discretion. We have the right to charge you for all ~~reasonable~~ expenses that we incur in considering your request.

(C) Forms of Agreement. Over time, we have entered and will continue to enter into agreements with other franchisees that may contain provisions, conditions and obligations that differ from those contained in this Agreement. The existence of different forms of agreement and the fact that we and other franchisees may have different rights and obligations does not affect the duties of the parties to this Agreement to comply with the terms of this Agreement.

(D) Best Efforts. You agree at all times to perform your obligations under this Agreement faithfully, honestly, and diligently, to use your best efforts to promote your Restaurant and the System, and to operate your Restaurant in accordance with our System Standards.

3. FRANCHISE RIGHTS.

(A) Your Protected Area. Except as limited by Section ~~3(C)~~3(C) below, and provided that you are in full compliance with this Agreement, we and our affiliates will not operate, or license others to operate Restaurants in the geographic area identified and describe in Exhibit 1 as your Protected Area during the term of this Agreement. The Protected Area granted to you will generally be a geographic area encompassing between ½ of one mile and one mile radius from the front door of your Restaurant (the “Protected Area”) although the Protected Area may, in our discretion, be reduced, in certain high density population areas (“High-Density Areas”) and/or be limited to a Non-Traditional Location (defined as an airport terminal, train station, university, stadium, etc.) Currently, we consider New York City (including boroughs), Los Angeles (including suburbs), San Francisco, Chicago, Boston, Miami, Denver, and Honolulu to be High-Density Areas. We reserve the right to add additional High-Density Areas in the future. The factors that we will consider in establishing a proposed Protected Area include location, adjacent economic profiles, captive population, accessibility, competition, and proximity to major retail and business activity.

(B) The restrictions contained in this Section ~~33~~ do not apply to Restaurants under construction or in operation in the Site Selection Area (as defined by Section ~~5(A)~~5(A)) or Protected Area as of the date of this Agreement. If the Premises have not been approved in writing by us as of the Effective Date, your Protected Area will be determined by us after you execute a Lease for your Restaurant (the "Lease"); or otherwise secure the Premises in a manner approved by us, and at such time, the Protected Area will be attached to and incorporated into Exhibit 1.

(C) Rights We Reserve. Except as expressly granted to you in Section ~~3(A)~~3(A), we and our affiliates retain all rights with respect to Restaurants, the Marks, the sale of similar or dissimilar products and services, and any other activities we deem appropriate whenever and wherever we desire, including, but not limited to the right to: (1) operate (and license others to operate) any type of business other than a Frank & Furter’s branded business at any location inside or outside the Protected Area; (2) provide, offer and sell (and license others to provide, offer and sell) products that are identical or similar to and/or competitive with those provided at or from Restaurants, whether identified by the Marks or other trademarks or service marks, through dissimilar distribution channels, including, without limitation, the internet or similar electronic media, grocery stores, club stores, and speciality stores, both inside and outside the Protected Area; (3) operate (and license others to operate) Restaurants located anywhere outside the Protected Area regardless of proximity to your Restaurant; (4) acquire the assets and/or ownership interests of one or more competing businesses and franchising, licensing or creating similar arrangements with respect to these businesses once acquired wherever these businesses (or the franchisees or licensees of these

businesses) are located or operating (including in the Protected Area); (5) be acquired (whether through acquisition of assets, ownership interests or otherwise, regardless of the form of transaction), by a competitor that operates competing businesses, or by another business, even if such business operates, franchises and/or licenses competing businesses in the Protected Area; and (6) create, place, and/or distribute or authorize others to create, place and/or distribute any advertising and promotional materials, which may appear in media, or be received by prospective customers located, within the Protected Area. The rights granted to you in the Protected Area do not limit the operation of Restaurants that are under construction or in operation in the Protected Area. We reserve all rights in the Site Selection Area that we reserve with respect to the Protected Area.

4. TERM.

(A) Initial Term. The initial term of this Agreement (“Initial Term”) and the rights granted by this Agreement will begin on the Effective Date and expire at midnight on the day preceding the 10th anniversary of the date your Restaurant first opens for business unless this Agreement is terminated at an earlier date according to Section 19.19. We will complete and forward to you a notice to memorialize the date your Restaurant first opened for business.

(B) Successor Terms. When this Agreement (and the first Successor Term) expires, you will have the option to request the right to remain a franchisee at the Premises for one (1) successor term of ten (10) years and two successor terms of five (5) years each (a "Successor Term"). The qualifications and conditions for the Successor Terms are described below:

(1) You must give us written notice of your election to remain a franchisee at the Restaurant not less than 96 months, nor more than 12 months, before the end of the Initial Term or first Successor Term.

(2) You must pay us a fee equal to 25% of the then current franchise fee (the "Successor Franchise Fee").

(3) Neither you nor any of your affiliates are in default under this Agreement or any other agreements with us or our affiliates.

(4) You must have the right to remain in possession of the Premises (or, another location acceptable to us) for the Successor Term.

(5) You must renovate and update your Restaurant to reflect the then-current image of Restaurants.

(6) You must correct any existing deficiencies of your Restaurant or in the operation of your Restaurant and satisfy our then-current System Standards including adding any new products or services that are then being offered in the System, meet our qualifications for new franchisees, and complete any additional certification and training requirements that apply to you, your Operating Principal, your managerial and training personnel and/or your staff (which may involve the payment of training fees);

(7) You must sign, and your owners and all guarantors of your obligations under this Agreement must personally guarantee, our standard form of Franchise Agreement that we are then offering to new franchisees (or the standard form that we most recently offered, if we are not then offering to new franchisees); and

(8) You, and your owners and guarantors of your obligations under this Agreement must sign a general release (substantially similar to the form attached as Exhibit D to the FDD) releasing any and all claims against us, and our affiliates, owners, officers, directors, agents, and employees.

5. DEVELOPMENT PROCEDURES.

(A) Site Selection.

(1) This Section ~~5(A)~~5(A) will not be applicable if the Premises have been approved in writing by us as of the Effective Date.

(2) If the Premises have not been designated as of the Effective Date, you will select a site from within an area that we identify in Exhibit 1 (“Site Selection Area”). Within 90 days after the Effective Date (“Site Approval Period”), you must obtain our written consent of a site that is located in the Site Selection Area and execute a Lease (or otherwise secure) that approved site for your Restaurant. We, in our sole discretion, reserve the right to move or modify the Site Selection Area. Provided that you are in full compliance with this Agreement, we and our affiliates will not operate, or license others to operate, Restaurants in the Site Selection Area during the Site Approval Period. We reserve all rights in the Site Selection Area that we reserve with respect to the Protected Area as described in Section ~~3(C)~~3(C). The restrictions contained in this Section ~~5(A)~~5(A) shall not apply to Restaurants under construction or in operation in the Site Selection Area as of the Effective Date of this Agreement.

(3) You assume all cost, liability, and expense for locating, obtaining, and developing a site for your Restaurant and constructing and equipping your Restaurant in accordance with our System Standards at an approved site. We will assist you in your site selection by providing you with our site selection guidelines and criteria, and sources to obtain demographic information on proposed sites. You must obtain our written consent of the site before you make any binding commitments related to the site. If you have not presented to us an approvable site during the Site Approval Period, we may, in our sole discretion, terminate this Agreement according to Section ~~19~~19.

(4) Once you have identified a potential site, you must submit to us, in the form that we specify, a completed site evaluation package which must include an “As-Built” AutoCAD floor plan copy of the existing site plan, photographs, demographic information, financial information, and such other information and materials as we may reasonably require, together with an option contract, letter of intent, or other evidence satisfactory to us which confirms your favorable prospects for obtaining an ownership or leasehold interest in the site.

(5) Within 30 days after we receive the detailed site evaluation package, we, in our sole discretion, may conduct an on-site evaluation of the proposed site. You must reimburse us for all travel, living and other expenses we incur in conducting any on-site evaluations of your proposed site. We do not charge a site evaluation fee for the first on-site evaluation that we conduct with respect to your Restaurant, however, if we require, or if you request, any additional on-site evaluations, you will pay to us, in addition to our travel expenses, our then-current site evaluation fee.

(6) We will use reasonable efforts to approve or disapprove the proposed site within 30 days after our receipt of your detailed site evaluation package if we do not conduct an on-site evaluation or, if we conduct an on-site evaluation, within 30 days after the on-site evaluation. If we do not approve the proposed site in writing in this time period, we will be deemed to have rejected the site. Our approval or rejection of a site may be subject to reasonable conditions as we determine in our sole discretion. Upon our approval of a site, and after you secure the site, we will insert its address into Exhibit 1, and it will be the Premises.

(7) You are responsible for selecting the site for your Restaurant. You acknowledge and agree that our approval of a site does not constitute a representation or warranty of any kind, express or implied, of the site's suitability for a Restaurant or any other purpose. Our approval indicates only that we believe that the site meets our then-current site selection criteria. Applying criteria that have appeared effective with other sites might not accurately reflect the potential for all sites, and demographic and/or other factors included in or excluded from our criteria could change, altering the potential of a site. The uncertainty and instability of these criteria are beyond our control, and we are not responsible if a site we approve fails to meet your expectations. You acknowledge and agree that: (a) your submission of a proposed site for our acceptance is based on your own independent investigation of the site's suitability for your Restaurant; and (b) our site-selection assistance is primarily for our benefit to assure us that we will have a minimally acceptable site upon the expiration or termination of this Agreement.

(8) Once you select a Premises for your Restaurant, your rights with respect to the Site Selection Area shall terminate and your rights shall be limited to the Protected Area.

(B) Lease of Premises.

(1) If you propose to lease or sublease the Premises for your Restaurant, you must provide us with a copy of the Lease for the Premises (for a term, including renewal terms, for at least the Initial Term) no less than 10 days before you intend to execute the Lease for the site of your Restaurant. The Lease must not contain any covenants or other obligations that would prevent you from performing your obligations under this Agreement. Unless waived in writing by us, any Lease must contain provisions that satisfy the following requirements during the entire term of the Lease, including any renewal terms:

(a) The initial term of the Lease must be no less than ten (10) years.

(b) The property owner ("Landlord") consents to your use of the proprietary signs and the Marks prescribed by us, and upon the expiration or earlier termination of the Lease, consents to permit you, at your expense, to remove all such items, so long as you make repairs to the Premises caused by such removal.

(c) The Landlord agrees to provide us (at the same time it is sent to you) a copy of all amendments, assignments, and notices of default pertaining to the Lease and the Premises.

(d) The Landlord agrees that it will not lease any space in the shopping center or other center in which the Restaurant is located to a business that generates more than 25 percent (25%) of its sales from the sale of hot dogs, sausages, burgers, fries, and -shakes.

(e) We will have the right to enter the Premises to make any modifications or alterations necessary to protect the System and the Marks, to cure, within the time periods provided by the Lease, any default under the Lease, all without being guilty of trespass or other tort, and to charge you for any related costs.

(f) The Landlord agrees that you will be solely responsible for all obligations, debts, and payments under the Lease.

(g) The Landlord agrees that, following the expiration or earlier termination of this Agreement, you will have the right to make those alterations and modifications to the Premises as may be necessary to clearly distinguish to the public the Premises from a Restaurant and also make those specific additional changes as we may reasonably request for that purpose. The Landlord also agrees that, if you fail to make these alterations and modifications within 10 days after the expiration or earlier

termination of this Agreement, we will have the right to do so without being guilty of trespass or other tort so long as we make repairs to the Premises caused by such removal.

(h) The Landlord agrees not to amend or otherwise modify the Lease in any manner that would affect any of the foregoing requirements without our prior written consent, which consent will not be unreasonably withheld.

(i) The Landlord enters into our form of Lease Addendum (Exhibit G hereto), which among other things grants us or our designee the right, without payment of any assignment fee or similar charge or increase in any rentals payable to the Landlord, to assume your Lease upon a default of the Lease or this Agreement.

(j) You must execute a Lease for the Restaurant within five (5) months (the "Lease Execution Period") of the Effective Date of this Agreement.

(2) You acknowledge that our review of the Lease is not a guarantee or warranty, express or implied, of the success or profitability of a Restaurant operated at the Premises. Our review will indicate only whether we believe that the terms of the Lease meet our then-acceptable criteria.

6. CONSTRUCTION OF YOUR RESTAURANT.

(A) Construction Plans.

(1) Restaurant Floor Plan Design. Subject to your payment of the Restaurant Design Fee (See Section ~~7(D)~~7(D)), upon receipt from you of completed pre-construction forms and as-built drawings of the site, we shall provide ~~to Franchisee~~you with a Restaurant floor plan design for the Restaurant containing floor plan, demising and interior wall locations, flooring specification, ceiling specification, furnishing, fixture, and equipment location and specification (hereby known as "Restaurant Design"). Franchisee will receive Franchisor's design requirements, including building specifications (locations of walls, counters, retail displays, fixtures, and equipment) (the "Restaurant Design"). We do not represent or warrant that the Restaurant Design will comply design compliance with applicable laws, including the Americans with Disabilities Act ("ADA"). Franchisee shall, at its sole cost and expense, ensure that the Restaurant Design complies with all applicable laws (including the ADA), and shall obtain any required architectural seals, engineering seals and other required approvals. The cost of any leasehold improvements, equipment, fixtures and displays, and of any architectural and engineering drawings, are Franchisee's sole responsibility.

(2) You must retain an approved architect to develop construction drawings of your Restaurant. Required stamped drawings include architectural, mechanical, plumbing, and electrical plans. In addition, you must obtain structural and fire protection, and any other plans as may be required by your state and local agencies.

(3) You agree to send to us, upon our request, construction plans and specifications or other plans for our review before you begin constructing your Restaurant and all revised or "as built" plans and specifications during construction. We may require you to use an approved architect and/or general contractor to design and construct your Restaurant. We may inspect the Premises while you are developing your Restaurant.

(B) Development of your Restaurant. You agree to do the following, at your own expense, to develop your Restaurant at the Premises:

(1) secure all financing required to develop and operate your Restaurant.

(2) procure insurance coverage for your activities under this Agreement as required by Section ~~12(J)~~12(J) and the Manual.

(3) obtain all required building, utility, sign, health, sanitation, occupancy, business, and other permits and licenses.

(4) construct all required improvements to the Premises and furnish and decorate your Restaurant according to our approved plans and specifications.

(5) obtain all customary contractors' sworn statements and partial and final waivers of lien for construction, remodeling, decorating, and installation services.

(6) purchase or lease from Designated Suppliers and Approved Suppliers, and install, all required fixtures, furniture, equipment, and interior and exterior signs; and

(7) purchase from Designated Suppliers and Approved Suppliers an opening inventory of authorized and approved products, materials, and supplies necessary to commence operations at your Restaurant.

(8) purchase an interior and exterior sign package and menu panels in accordance with our specifications indicated in the Manuals and related documents provided to all franchisees.

(9) If you build any portion of your Restaurant outside of our specifications without receiving our prior written consent, we will have the right to delay the opening of your Restaurant until you, at your sole expense, bring the development of your Restaurant within full compliance with of our specifications.

(C) Computer Systems. Prior to opening your Restaurant, you must purchase and install our required computer, router, network, hardware, and associated software including required appointment and accounting software (the "Computer Systems"). You must also purchase a service and maintenance contract from us or our approved third-party vendor for ongoing maintenance and support services for the Computer Systems.

(D) Opening your Restaurant. Subject to your compliance with the conditions described in this Section ~~6(D)~~6(D) or as we may otherwise approve, you agree to open your Restaurant no later than ~~18~~10 months after the Effective Date of this Agreement.

(1) We will not authorize the opening of your Restaurant unless all of the following conditions have been met:

(a) We are satisfied that your Restaurant was constructed and/or renovated and equipped substantially in accordance with our standards and specifications.

(b) You have hired and trained a staff as required by Section ~~11(B)~~11(B);

(c) You have received a Certificate of Occupancy and all required state and local government certifications, permits, and licenses necessary for the operation of a Restaurant, including licenses and certifications for your staff and other personnel.

(d) You (or your Operating Principal as defined in Section ~~14(D)~~14(D)), your management personnel, and your training personnel (if any) have satisfactorily completed and become

certified in our initial training program.

(e) You have paid the Initial Franchise Fee (as defined in Section ~~7(A)~~7(A)) and any other amounts then due to us.

(f) You have signed all agreements required prior to opening, including, but not limited to, the Lease, the electronic funds transfer documents described in Section ~~7(R)~~7(R), and any software license agreement(s).

(g) You have complied with our requirements for the Grand Opening Plan as described in Section ~~9(A)~~9(A);

(h) Neither you nor any of your affiliates are in default under or in violation of any agreements with us, any of our affiliates or any suppliers; and

(i) You have provided to us with copies of certificates for all insurance policies required by Section ~~12(J)~~12(J) or such other evidence of insurance coverage and payment of premiums as we may reasonably request.

7. FEES. All fees payable according to this Section ~~7~~7 shall be paid in United States Dollars on or before the due date for such payments. Unless otherwise specified, all fees are not refundable.

(A) Initial Franchise Fee. At the same time that you sign this Agreement, you must pay us an initial franchise fee of \$35,000 ("Initial Franchise Fee"). This fee is due, and fully earned by us, when you sign this Agreement. The Initial Franchise Fee is not refundable.

(B) Ongoing Royalty Fees. You agree to pay to us, in the manner provided below (or as the Manual otherwise prescribes), nonrefundable and continuing Royalty Fees ("Royalty Fees") in the amount of six percent (6%) of the Net Sales of your Restaurant for the right to use the System and the Marks.

(C) Technology Fee. You agree to pay us, in the manner provided below (or as the Manual otherwise prescribes), a nonrefundable and continuing Technology Fee ("Technology Fee"). The Technology Fee provides you with access to the Computer Systems, POS software and support, e-mail service, intranet, and other technology services that we determine, in our sole discretion, to provide to you. Currently, the Technology Fee is ~~\$1,700~~800 per month. You will begin paying the Technology Fee in the month that you sign a lease for your Restaurant. We may increase the Technology Fee upon thirty (30) days written notice to you.

(D) Restaurant Design Fee. You must pay our then current Restaurant Design Fee to prepare an initial restaurant floor plan. Payment is due when you sign your Franchise Agreement. The current Restaurant Design Fee is \$750 per Restaurant. This fee is not refundable.

(E) Insufficient Funds Fee. You will pay us an insufficient funds fee of any check, EFT, ACH, or other payment mechanism is returned to use for insufficient funds. The Insufficient Funds Fee is currently \$250 per instance. We may increase this fee upon written notice to you. We will charge this fee if our attempt to debit your account for any amount payable to us is unsuccessful.

(F) Alternative Suppliers Testing Fee. If you propose to purchase any goods or materials (that you are not required to purchase from us, an affiliate of ours, or an Approved Supplier) from a supplier that we have not previously approved, you must submit to us a written request for such approval or request the supplier do so. We may require, as a condition of our approval, that our representative be permitted to inspect the supplier's facilities, and that such information, specifications, and samples as we reasonably

designate be delivered to us and/or to an independent, certified laboratory designated by us for testing prior to granting approval. We may charge you a fee equal to our costs in completing and/or retaining others to complete inspections and testing of the goods, materials, and suppliers provided that such fee will not exceed \$10,000.

(G) Resale Fee. You will pay us or a third party broker a resale fee ("Resale Fee") to the extent that a commission is payable to a broker or employee in connection with the transfer and sale of your Restaurant. The Resale Fee will generally be ten percent (10%) of the sales price of your Restaurant but may be higher depending upon our agreement or your agreement with such third party. If a Resale Fee is payable in connection with the transfer of your Restaurant, we will not approve the transfer until we receive the Resale Fee or receive confirmation from applicable parties that the Resale Fee has been paid in full.

(H) Extension Fee. You are required to open your Restaurant within ~~12~~10 months of signing the Franchise Agreement. You may extend the deadline to open your Restaurant, on a month to month basis, by paying us the Extension Fee. The Extension Fee currently being charged is \$2,500 per month and shall be paid on or before the 5th day of each month for which an extension is sought. We reserve the right to modify, increase, decrease or waive the Extension Fee in our sole and absolute discretion.

(I) Management Fee. You will pay us a management fee ("Management Fee") if we are obligated, directly or indirectly, to manage your Restaurant. The Management Fee is in addition to and not in replacement of any other fees that you are obligated to pay us. The current Management Fee we charge you is the greater of (i) two times the salary paid to the individual(s) assigned by us to operate the Restaurant, or (ii) 10% of the Restaurant's monthly Net Sales; plus, expenses for travel, lodging, meals, and all other expenses. The Management Fee is payable during any period that our appointed manager manages your Restaurant. The Management Fee will be in addition to the Royalty Fees and Advertising Fund Contributions due to us. We will deduct the Management Fee from Net Sales prior to our payment of your Franchise Commission. We may increase the Management Fee upon thirty (30) days written notice to you.

(J) Unauthorized Products or Services Fees. If you distribute unauthorized products or services or fail to report the sale of any unauthorized products or services, we may, in addition to any other rights we may have, you will be responsible to pay us an administrative fee of \$250 per day, any Royalty Fees due to us from the sale of such products or services, and any amounts we incur due to or as a result of your sale of unapproved services or products if you do not cure such default within ten (10) days of receipt of notice from us of your violation. You understand and agree that we may debit such amounts directly from your bank account via EFT, ACH, or other payment mechanism. However, we reserve the right to terminate your Franchise Agreement if you use, sell, distribute or give away unauthorized services or products on three or more occasions within any consecutive 12 month period, after being provided written notice to cease such activities.

(K) Non-Compliance Fee. We may charge you a Non-Compliance Fee for each incident of noncompliance of your operational obligations under the requirements, procedures, or policies of the Franchise Agreement, upon notice to Franchisee, whether or not you are entitled to cure the deficiency under the Franchise Agreement. This fee is imposed by and payable to us, is not collected on behalf of nor paid to any third party and is not refundable. The Non-Compliance Fee is currently \$2,500 per incidence of non-compliance although we may increase or decrease the Non-Compliance Fee upon 30 days prior written notice to you.

(L) Gross Sales. "Gross Sales" means all revenue transacted from or during the operation of your Restaurant including, but not limited to food and beverage sales, merchandise sales, and/or the sale of products at or away from the Restaurant, business interruption insurance, and all amounts that you receive at or away from the Premises, whether from cash, check, EFT, ACH, wire transfer, credit and debit card,

barter, exchange, trade credit, loyalty program points, gift card redemptions, or other credit transactions, less applicable sales taxes Franchisee collects and remits to the appropriate tax authority.

(M) Net Sales. “Net Sales” means Gross Sales (as defined above) minus: (i) the amount of any documented refunds, chargebacks provided to customers in good faith; and (ii) any tips received by your employees.

(N) Advertising Contributions and Expenses. You also will spend and/or contribute for advertising the amount we specify. The exact amount of the Advertising Fund contribution and local store marketing expenditures you are required to make and/or are described in Section 99.

(O) Late Report Fee. We may charge a late report fee of \$250 for each week following the due date that you do not submit any report to us that is required by Section 88.

(P) Interest. All amounts which you owe us for any reason will bear interest accruing as of their original due date at 15% per annum or the highest commercial contract interest rate the law allows, whichever is less. We may electronically debit your business checking account automatically for any past-due amounts and interest. You acknowledge that this Section ~~7(P)~~7(P) is not an agreement to accept any payments after they are due or a commitment to extend credit to, or otherwise finance your operation of, your Restaurant.

(Q) Partial Payments. No payment by you or acceptance by us of any monies under this Agreement for a lesser amount than due will be treated as anything other than a partial payment on account. We will have sole discretion to apply any payments by you to any of your past-due indebtedness to us.

(R) Authorization to Draw Drafts against Franchisee’s Bank Account.

(1) Franchisee authorizes Franchisor to draw drafts against Franchisee’s bank accounts for the full amount of the Royalty Fees, Advertising Fund contributions, product purchases, and for any other amounts that Franchisee owes to Franchisor, its affiliates or Franchisee’s cooperative advertising association (for example, for promotional materials). Simultaneously with signing this Agreement, Franchisee must sign a pre-authorization form, in the form attached as Exhibit 4 to the Franchise Agreement, to enable Franchisor to do so. In addition, from time to time at Franchisor’s reasonable request, Franchisee must sign those other and further documents as Franchisor may require enabling Franchisor to draw drafts against Franchisee’s bank accounts for such purposes.

(2) If Franchisee fails to provide Franchisor any necessary information or documentation with respect to Franchisor’s practice of drawing drafts against Franchisee’s bank accounts, Franchisee must pay Franchisor a fee of \$250 per week that that failure continues.

(S) Reports. If Franchisee fails to submit to Franchisor by 5:00 p.m. (Phoenix, Arizona time) on Monday of each week, an operating statement, in the form specified by Franchisor, which includes Net Sales figures for the prior week, the amount drawn against Franchisee’s bank account, according to Section ~~7(R)~~7(R), for the Royalty Fees and Advertising Fund Contributions with respect to the prior week will be the amount drawn the previous week plus 20%, as an estimate of the prior week’s Royalty Fees and Ad Fund Fees, and Franchisee may be assessed a \$250 late charge per delinquent operating statement per week, or part thereof (until each delinquent operating statement has been delivered), which amount may be increased by Franchisor from time to time.

(T) Taxes. Franchisee must pay to Franchisor an amount equal to any sales, gross receipts or similar taxes assessed against, or payable, by Franchisor and calculated on the Initial Franchise Fee, Royalty

Fees, Ad Fund Fees, equipment and signage purchases or other payments required to be paid according to this Agreement, unless the tax is an income tax or an optional alternative to an income tax otherwise payable by Franchisor. Such amount will be due and payable within 10 days after receipt of Franchisor's invoice.

(U) If Franchisee fails to deliver or provide to Franchisor any statement, report or other document or information required to be delivered (for example, certificates of insurance and financial statements), by the applicable deadline, Franchisee will be assessed a \$250 late charge per delinquent statement, document or other information per week, or part thereof (until each delinquent statement, document or other information has been delivered or provided), which amount may be increased by Franchisor from time to time.

(V) Right of Offset. Franchisor shall have the right to offset any amount owed by Franchisee to Franchisor and/or its affiliates under or in connection with this Agreement against any payments owed by Franchisor to Franchisee under this Agreement or any related agreement. Such offsets shall be in addition to any other rights or remedies available under this Agreement and applicable law.

8. RECORDKEEPING AND REPORTS.

(A) Recordkeeping. You must keep and maintain, in accordance with any procedures that we prescribe in the Manual or otherwise, complete accurate books and records pertaining to your Restaurant sufficient to fully report to us. We reserve the right to require that you maintain a fiscal year different than the calendar year and one that is consistent with our fiscal year. You agree that we are authorized to use computerized data capture and retrieval systems that meet our specifications and that all data collected by our data capture and retrieval systems shall belong to us.

(B) Reports and Financial Statements. You must, at your expense, submit to us, in the form prescribed by us, financial and operational reports and records at the times and in the manner specified in the Manual. You also must submit to us, in the form prescribed by us, a profit and loss statement and balance sheet for your Restaurant within 60 days after the end of each fiscal year (as defined by us from time to time). You must sign each report attesting that it is true, correct, and complete and, with respect to the profit and loss statement, uses accounting principles applied on a consistent basis that accurately and completely reflect your financial condition. We may disclose data derived from your reports, however, upon receipt of a written request from you or if required by law, we will not disclose your identity in any materials that we circulate publicly. If, in our reasonable judgment, your reports are deficient in substance or presentation, we may require that you submit to us year-end financial statements prepared by an independent accountant and/or copies of your federal, state, and local income tax returns.

(C) Public Filings. If you are or become a publicly-held entity in accordance with other provisions of this Agreement, you must, at your expense, submit to us copies of all reports (including responses to comment letters) or schedules that you may file with the U.S. Securities and Exchange Commission (certified by your -to be true, correct, complete and accurate) and copies of any press releases you may issue, within 3 days of the filing of those reports or schedules or the issuance of those releases.

(D) Our Right to Audit.

(1) We have the right at all ~~reasonable~~ times, both during and after the term of this Agreement, to inspect, copy and audit your books, records, sales, and income tax records and returns, and such other forms, reports, information, and data as we may reasonably designate, applicable to the operation of your Restaurant (an "Audit"). If any Audit discloses an understatement of Net Sales of your Restaurant, you agree to pay to us, within 10 days after receiving the Audit report, the Royalty Fees, and Advertising Fund contributions due on the amount of the understatement, plus any interest on the understated amounts

from the date originally due until the date of payment. If any Audit discloses that you have not expended the greater the requires amount of your Net Sales on local store marketing (which amount may be modified by us from time to time in accordance with Section ~~9(B)~~9(B)), you shall contribute to the Advertising Fund any amounts that you should have expended to reach the local advertising requirement within 30 days after completion of our audit of your Restaurant. Furthermore, if an examination is necessary due to your failure to furnish reports, supporting records, or other information as required, or to furnish these items on a timely basis, or if our examination reveals an understatement of your Royalty Fees or Advertising Fund contribution (when a percentage of Net Sales is required), that exceeds 2% of the amount that you actually reported to us for the period examined; then: (a) you agree to reimburse us for the costs of the examination, including, without limitation, the charges of attorneys and independent accountants and the travel expenses, room and board, and compensation of our employees; and (b) we may require you to provide us with periodic audited statements. If our examination reveals an understatement of the Net Sales of your Restaurant for any period by 2% or more 3 or more times during any 3-year period, or by more than 5% on any one occasion, then in addition to your obligations in subsection ~~9(D)(1)~~9(D)(1)(a) above, we may immediately terminate this Agreement without an opportunity to cure. These remedies are in addition to our other remedies and rights under this Agreement and applicable law.

(2) If you fail to give us, on a timely basis, the records, reports, and other information required by this Agreement or, upon our request, copies of the same, we or our designee will have access at all ~~reasonable~~ times (and as often as necessary) to your books and records (including those contained on the Computer Systems) for the purpose, among other things, of preparing the required records, reports and other information. You promptly will reimburse us or our designee for all costs and expenses associated with our obtaining and/or preparing such records, reports, or other information.

9. MARKETING.

(A) Grand Opening Plan. You must conduct a grand opening advertiseing and promoteional campaign for your Restaurant during the 4-month period that begins 1 month prior to opening and continues through 3 months following the opening of your Restaurant (“Grand Opening Plan”). Your Grand Opening Plan expenditures must equal or exceed \$15,000. You agree to comply with our guidelines for the Grand Opening Plan, based upon an agreed upon marketing plan, which you must follow as part of the marketing, advertising, and promotion of your Restaurant (“Marketing Plan”). You must spend at least the amount that we specify for your Grand Opening Plan; however, you may spend more than the required amount. The Grand Opening Plan expenditure is in addition to the advertising contributions and expenditures that you must make according to Sections ~~9(B), 9(C), and 9(D)~~9(B), 9(C), and 9(D) below.

(B) Marketing Contributions and Expenditures. During the Term, you must (1) contribute to the Advertising Fund as described in Section ~~9(C)~~9(C), (2) make local store marketing expenditures stated in Section ~~9(D)~~9(D); and (3) contribute to the Regional Co-op according to Section ~~9(E)~~9(E) if a Regional Co-op has been established in the Designated Market Area (“DMA”) in which your Restaurant is located. We have the right to periodically re-allocate and/or increase the amount you contribute to the Advertising Fund and the amount you spend for local store marketing.

(C) Advertising Fund.

(1) We have established an advertising and marketing fund (“Advertising Fund”) for the enhancement and protection of the System and the Marks, and for the development of advertising, marketing, and public relations programs, and materials, as we deem appropriate. We currently charge you an Advertising Fund contribution of one and one-half percent (1.5%) of Net Sales. The Advertising Fund contribution will be payable in the same manner as the Royalty Fees. Restaurants operated by us and our affiliates also will contribute to the Advertising Fund on the same basis as comparable franchisees. From

time to time, we or our suppliers may deposit into the Advertising Fund rebates or similar allowances paid to us by our suppliers although we have no obligation to do so. We may increase the Advertising Fund to a maximum of six percent (6%) of Net Sales upon 30 days prior written notice to you.

(2) We will have sole discretion to use the Advertising Fund, and the monies in the Advertising Fund, for any purpose that we designate that we believe will enhance and protect the System and Marks and will improve and increase public recognition and perception of the System and Marks. We will direct all programs that the Advertising Fund finances, with sole control over the creative concepts, materials, and endorsements used and their geographic, market, and media placement and allocation.

(3) Participation in Promotional and Charitable Programs. You agree to participate in all advertising, marketing, promotions, research, and public relations programs instituted by the Advertising Fund. Among the programs, concepts, and expenditures for which we may utilize the Advertising Fund monies are: (a) creative development and production of print ads, commercials, radio spots, point of purchase materials, direct mail pieces, door hangers, and other advertising and promotional materials; (b) creative development, preparation, production and placement of video, audio, and written materials and electronic media; (c) media placement and buying, including all associated expenses and fees; (d) administering regional and multi-regional marketing and advertising programs; (e) market research and customer satisfaction surveys, including the use of secret shoppers; (f) the creative development of, and actual production associated with, premium items, giveaways, promotions, contests, public relation events, and charitable or nonprofit events; (g) creative development of new program offerings for Restaurants; (h) creative development of signage, posters, and individual Restaurant décor items including wall graphics; (i) recognition and awards events and programs; (j) System recognition events, including periodic national and regional conventions and meetings; (k) Website, extranet and/or intranet development and maintenance (in this Agreement, “website” means one or a group of World Wide Web pages usually containing hyperlinks to each other and made available online by an individual, company, educational institution, government, or organization); (l) development, implementation, and maintenance of an electronic commerce Website and reservation system and/or related strategies; (m) retention and payment of advertising and promotional agencies and other outside advisors including retainer and management fees; and (n) public relations and community involvement activities and programs.

(4) We will account for the Advertising Fund separately from our other funds, however, will not be required to segregate Advertising Fund monies from our other monies. We will not use the Advertising Fund for any of our general operating expenses. We and our affiliates may be reimbursed by the Advertising Fund for administrative expenses directly related to the Advertising Fund’s marketing programs, including without limitation, conducting market research, preparing advertising and marketing materials, and collecting and accounting for contributions to the Advertising Fund. We may use the Advertising Fund to pay the administrative costs of the Advertising Fund including managing the advertising, marketing, and promotional programs and payment of outside suppliers utilized by the Advertising Fund, and we may use the Advertising Fund to pay the ~~reasonable~~ salaries and benefits of personnel (including our personnel and our affiliates’ personnel) who manage and administer the Advertising Fund. We may use the Advertising Fund to pay for other administrative costs, travel expenses of personnel while they are on Advertising Fund business, meeting costs, overhead relating to Advertising Fund business, and other expenses that we incur in activities reasonably related to administering or directing the Advertising Fund and its programs.

(5) The Advertising Fund will not be our asset. Although the Advertising Fund is not a trust, we will hold all Advertising Fund contributions for the benefit of the System and use contributions only for the purposes described in this Section ~~9(G)~~9(C). We do not owe any fiduciary obligation to you for administering the Advertising Fund or for any other reason. The Advertising Fund may spend in any fiscal year more or less than the total Advertising Fund contributions in that year, borrow from us or others

(paying reasonable interest) to cover deficits, or invest any surplus for future use. We will use all interest earned on Advertising Fund contributions to pay for the administrative costs of the Advertising Fund before using the Advertising Fund's other assets.

(6) Upon your written request, we will prepare an annual, unaudited statement of Advertising Fund collections and expenses within 90 days after our fiscal year end. We may also, in our sole discretion, prepare such financial statements. We may, but are not obligated to, have the Advertising Fund audited annually, at the Advertising Fund's expense, by an independent certified public accountant. We may incorporate the Advertising Fund or operate it through a separate entity whenever we deem appropriate. The successor entity will have all of the rights and duties specified in this Section ~~9(C)~~9(C).

(7) We intend the Advertising Fund to maximize and enhance public, franchisee, and employee recognition of the System and the Marks. Although we may use the Advertising Fund, or portions of the monies in the Advertising Fund, to create, develop, use and/or place advertising and promotional marketing materials and programs, and we may try to engage in brand enhancement activities that will benefit all Restaurants, we cannot and do not ensure that Advertising Fund expenditures will be made in or affecting any geographic area, or will be proportionate or equivalent to Advertising Fund contributions by Restaurants operating in that geographic area. We do not guarantee or assure that you, your Restaurant, or any Restaurant will benefit directly or in proportion to your Advertising Fund contribution from the brand enhancement activities of the Advertising Fund or the development of advertising and marketing materials or the placement of advertising and marketing.

(8) We have the right, but no obligation, to use collection agents and institute legal proceedings to collect Advertising Fund contributions at the Advertising Fund's expense. We also may forgive, waive, settle, and compromise all claims by or against the Advertising Fund. We assume no direct or indirect liability or obligation to you for collecting amounts due to the Advertising Fund. We have the sole right to enforce the obligations of franchisees who contribute to the Advertising Fund, and neither you nor any other franchisees who contribute to the Advertising Fund will be deemed a third-party beneficiary with respect to the Advertising Fund obligations of other franchisees or have any right to enforce the obligation of any franchisee to contribute to the Advertising Fund.

(9) We may at any time defer or reduce contributions of a Restaurant franchisee to the Advertising Fund and, upon 30 days prior written notice to you, reduce or suspend Advertising Fund contributions and operations for one or more periods of any length and terminate (and, if terminated, subsequently reinstate) the Advertising Fund. If we terminate the Advertising Fund, we will spend all monies in the fund for advertising and/or promotional purposes or distribute all unspent monies to our franchisees, and to us and our affiliates, in proportion to their, and our, respective Advertising Fund contributions during the preceding 12-month period.

(D) Local Store Marketing.

(1) You must develop, on an annual basis, a marketing plan that we have approved for you, your Restaurant, and your Protected Area (the "Local Store Marketing Plan"). You must comply with all requirements regarding the Local Store Marketing Plan, including use of approved advertising and marketing materials, placement and purchase of advertising and marketing materials and media, participation in and use of approved on-line social media networks and tools, and compliance with all promotional recommendations and guidelines. In addition to your Grand Opening Plan expenditures and your Advertising Fund contribution, in accordance with your Local Store Marketing Plan, you must spend a minimum of \$2,500 a month or three percent (3%) of your Net Sales, whichever is greater, on a monthly basis, throughout the Initial Term of your Franchise Agreement on local store marketing (which amount may be modified by us from time to time in accordance with Section ~~9(B)~~9(B)). You must begin conducting

local store marketing when you open your Restaurant. We may audit your Restaurant according to Section ~~8(D)~~8(D) above if we believe, in our sole discretion, that you have not expended the required amount of money on local store marketing. If our audit reveals that you are not contributing the requisite amount, you must repay us the costs and expenses incurred in auditing your Restaurant. In addition, if you fail to expend on an annual basis, the required amount, then you must contribute to the Advertising Fund any amounts that you should have expended to reach the local advertising requirement within 30 days after completion of our audit of your Restaurant.

(2) Your local marketing and promotion must follow our guidelines, which may include, among other things, requirements for, or restrictions regarding, the use of the Marks and notices of our Website's domain name in the manner we designate. We may specify third parties that you must use for the design and development of your local marketing and promotional materials, and you will be required to pay those third parties for their services without any offset to your required local store marketing expenditures. You may not develop, maintain, or authorize any Website that mentions or describes you or your Restaurant or displays any of the Marks. You agree that your advertising, promotion, and marketing will be completely clear, factual, and not misleading and conform to both the highest standards of ethical advertising and marketing and the advertising and marketing policies that we prescribe from time to time.

(3) You may purchase local advertising and promotional materials from us, or any source approved by us. Periodically, we will provide you with samples of advertising, marketing, and promotional formats and materials at no cost. If you purchase these materials from us, in addition to paying the invoice cost of the materials, you must pay any related shipping, handling, and storage charges. If purchased from a source other than us or our affiliates, these materials must comply with federal and local laws and regulations and with the guidelines for advertising and promotion promulgated from time to time by us and must be submitted to us or our designee at least 10 days prior to first use for approval (except with respect to prices to be charged by you), which we may grant or withhold in our sole discretion. If we do not approve your submission within 10 days after the day we received the materials, we will be deemed to have not approved the materials.

(4) In no event will your advertising and promotional materials contain any statement or material which, in our sole discretion, may be considered: (a) in bad taste or offensive to the public or to any group of persons; (b) defamatory of any person or an attack on any competitor; (c) to infringe upon the use, without permission, of any other persons' trade name, trademark, service mark or identification; or (d) inconsistent with our public image of that of the System. You acknowledge and agree that any and all copyright in and to advertising and promotional materials developed by you or on your behalf will be our sole property, and you must execute such documents (and, if necessary, require your independent contractors to execute such documents) as may be deemed necessary by us to give effect to this provision.

(5) You must actively participate in all marketing and advertising programs designated by Us or the Advertising Fund including social media programs (e.g., Facebook, Twitter, and Instagram) and comply with all guidelines defined by us regarding the use of these programs as reflected in the Manual.

(E) Regional Co-op.

(1) We may, in our sole discretion, establish a regional advertising cooperative ("Regional Co-op") in any DMA. The Regional Co-op shall be organized and governed in a form and manner and shall commence operations on a date approved in advance by us in writing. We may, if we so elect, prepare bylaws to be used by the Regional Co-op and may require the Regional Co-op to incorporate. Once a Regional Co-op is established in a DMA in which your Restaurant is located, you shall become a member of such Regional Co-op and be required to contribute to the Regional Co-op as determined by its members no later than 30 days after the date on which the Regional Co-op commences operation. In no

event shall you be required to be a member of more than one Regional Co-op with respect to your Restaurant. You shall submit your Co-op Contribution to the Regional Co-op monthly, together with such statements or reports as may be required by us (or by the Regional Co-op with our prior written consent). Monies in the Regional Co-op may be spent for the purposes determined by a majority vote of the Regional Co-op.

(2) Each Regional Co-op shall be organized, if at all, for the exclusive purpose of administering regional marketing programs and developing, subject to our approval, standardized promotional materials for use by its members in local advertising. All advertising, marketing and promotions shall be submitted to us prior to first use as provided in Section ~~9(D)(3)~~, 9(D)(3) and shall adhere to the standards listed in Section ~~9(D)(4)~~ 9(D)(4).

(3) We shall be a member of the Regional Co-op and be entitled to attend and fully participate in Regional Co-op meetings; however, we shall not have a vote unless we or our affiliates operate a Restaurant in the ~~Development Area~~ DMA covered by the Regional Co-op. If the members of the Regional Co-op are unable or fail to determine the manner in which Regional Co-op monies should be spent, we may assume this decision-making authority following 10 days' advance written notice to the members of the Regional Co-op. We, or our designee, may grant to any franchisee an exemption for any length of time from the requirement of membership in any Regional Co-op, upon written request of such a franchisee stating reasons supporting an exemption. Decisions regarding a request for exemption shall be final. We or our designee shall have the right to terminate (and subsequently restart) any Regional Co-op. Upon termination, all monies in that Regional Co-op shall be spent for advertising and/or promotional purposes.

(F) Loyalty Program. We may operate a customer loyalty program that awards customers loyalty points upon the occurrence of certain events. These points may be used by customers in exchange for discounted or free services and retail products at your Restaurant. You must participate and pay the fees associated with any Loyalty Program that we implement.

(G) Promotional and Charitable Events. You must participate in all giveaways, promotions, contests, public relation events, and charitable or nonprofit events that we require of franchisees. These promotions may require, among other things, you to make donations of money, time, and people to required promotional or charitable events and partners. These donations will be made at the time and in the manner we require, which will be provided in the Manual.

10. MANUAL

(A) We will loan you during the term of this Agreement or make available to you via other means (internet, intranet, etc.) one copy of our Manual, which may include compact disks, computer software, other electronic media, and information distributed electronically and/or written materials or allow you access to the Manual. The Manual contains the System Standards, which include mandatory and suggested specifications, standards, operating procedures, and rules that we periodically prescribe for operating a Restaurant and information on your other obligations under this Agreement. We may modify the Manual periodically to reflect changes in System Standards.

(B) You agree to keep your copy of the Manual and/or any passwords and/or log-in information with respect to web-based or electronic copies thereof current and in a secure location at your Restaurant. If there is a dispute over the contents of the Manual, our master copy of the Manual controls. You agree that the contents of the Manual are confidential and that you will not disclose the Manual to any person other than employees of your Restaurant who need to know its contents. You may not at any time copy, duplicate, record, or otherwise reproduce any part of the Manual. If your copy of the Manual is lost, destroyed, or significantly damaged, you agree to obtain a replacement copy from us, for which we may

charge you our then applicable printing or copying charge. This charge is for our direct costs and is not related to any value that we place on the Confidential Information (defined in Section ~~18(A)~~18(A). below).

(C) At our option, we may make the Manual available on a restricted Website (intranet or extranet) to which you will have access. If we do so, you agree to monitor and access the Website for any updates to the Manual or System Standards. Prior to accessing any online training instructional system, you must agree to abide by our terms of use, which we may revise from time to time. Any passwords or other digital identifications necessary to access the Manual on a website, intranet, extranet, or other online training instructional system will be deemed to be part of the Confidential Information.

11. TRAINING AND ASSISTANCE

(A) Initial Training Program

(1) Three or four months before you open your Restaurant, you (or the Operating Principal of Franchisee if Franchisee is an entity) and your General Manager must complete, ~~to our satisfaction and certification,~~ our initial training program, which will address the material aspects of operating a Restaurant (the "Initial Training Program"). If you obtain an operating Restaurant by transfer from another Restaurant franchisee, you must complete this Initial Training Program before you begin operating that business as a Restaurant. We will provide the Initial Training Program at our corporate headquarters in Chandler, Arizona, a designated training facility of our choice and/or at an operating Restaurant. You agree to pay for all travel, living and other expenses which you (or your Operating Principal) and your employees incur and for your employees' wages and workers' compensation insurance while they attend the initial training program.

(2) We do not charge a fee for providing the Initial Training Program to you (or your Operating Principal if you are an entity), your General Manager, and one (1) assistant manager. Additional people may attend the Initial Training Program, subject to availability, if you pay \$1,000 per additional person attending the Initial Training Program (the "Additional Initial Training Fee"). If any individual who is required to receive our certification fails to successfully complete the initial training program and receive our certification, then that individual may repeat the program, or you may send a substitute to complete the next available program. We reserve the right to charge you a fee for providing any subsequent training program to these individuals or for training any of your substitute personnel.

(3) All of your managerial and training personnel must receive our certification, prior to managing your Restaurant or training your staff. We may, at any time during the term of this Agreement, decertify any previously certified individual if we learn or determine that a person is no longer complying with our standards and procedures. Any person that has been decertified must satisfactorily complete training or a re-training program to receive our certification.

(B) Training by You.

(1) You must conduct such initial and continuing training programs for the staff of your Restaurant as we may require from time to time, including those training programs required in order for your staff members to be certified for the position(s) for which each staff member was hired. We will authorize you to open your Restaurant only after an adequate number of your staff members, as determined by us in our sole discretion, have attended and received certification in your initial training program.

(2) We may periodically visit your Restaurant to ensure that your training personnel continue to meet our standards. If we determine, in our sole discretion, that your training personnel are not adequately training your staff, then your training personnel and staff members designated by us must attend

and successfully complete our initial training program. We may, in our sole discretion, determine that you are no longer qualified to train your own staff members. In that event your staff members will be required to attend our initial training program prior to beginning to work at your Restaurant. You will be required to pay a tuition fee for your training personnel and staff who we require to attend our training program in addition to paying all travel, living and other expenses incurred by your employees while attending the training program.

(C) Opening Training. We will send a representative to your Restaurant to assist with the grand opening of your Restaurant ("Opening Training"). The Opening Training will include no less than 3 days of on-site training for your staff members. You will not be required to pay any additional costs for any of the travel or living expenses incurred by our representative while providing the Opening Training to you. However, if you reschedule the opening of your Restaurant, you must reimburse us for any travel costs we incur in changing the travel schedules of our personnel. We will determine the hours of training for your staff members. If you request, and we agree to provide, additional or special guidance, assistance, or training during this opening phase, you agree to pay our then applicable charges, including fees for our personnel and their travel and living expenses.

(D) Ongoing Training.

(1) We may require that you attend periodic ongoing training programs. You may also request that we provide additional training (we are not required to provide this training). We may charge the ongoing training fee for any ongoing training we provide. If we agree to provide onsite training, you must also reimburse us for all ~~reasonable~~ expenses we incur, such as for travel, meals, and lodging. You are responsible for all costs you incur (including travel, meals, lodging, wages, etc.) for any of your personnel that attend training. We may impose an ongoing training fee up to \$1,000 per day plus reimbursement of any travel expenses ("Ongoing Training Fee").

(2) We may require you and your personnel to attend and complete satisfactorily various training courses that we periodically choose to provide at the times and locations that we designate, as well as periodic conventions, regional meetings, and conferences that we specify including franchise meetings. Even if you fail to attend, we can charge ~~reasonable~~ registration or similar fees for these courses and meetings ("Franchise Meeting Fee"). The Franchise Meeting Fee is currently \$1,000 per person. We may increase the Franchise Meeting Fee upon written notice to you if our costs and expenses in connection with organizing and putting on the franchise meeting increase. There is no maximum Franchise Meeting Fee that we may charge you although any increase will only be based upon an increase in our costs and expenses in organizing and presenting franchise meetings.

(3) We require that your replacement training personnel satisfactorily complete our training programs within 90 days of being designated as training personnel. Replacement training personnel may: (a) attend the next training program offered by us; or (b) be trained by your training personnel, however, they must be reviewed by our field personnel and receive our certification prior to managing your Restaurant or training your staff. Currently, the fees associated with the training of replacement personnel are \$300 per day per person participating in the training program. You agree to pay all travel and living expenses incurred by you and your employees and/or our employees during all training courses and programs.

(4) We may also require you and/or your managers and employees to complete additional training if we believe, in our reasonable discretion, that you require additional training to operate your Restaurant to our standards. ("Remediation Training"). Remediation Training will occur, in our discretion, either at your Restaurant, at a Restaurant selected by us, or at our flagship Restaurant in Chandler, Arizona. The current cost of Remediation Training is \$300 per day plus ~~reasonable~~ travel

expenses incurred by our employees if we are required to travel in connection with providing the Remediation Training.

(E) **General Guidance.** We will provide ongoing advice and consultation to you regarding the operation of your Restaurant through the Manual, bulletins or other written materials, electronic media, telephone, and in person.

(F) **On-Premises.** Franchisor will provide on-site consultation to you on an as needed basis if you request such assistance from us and pay the fees and expenses (“**On- Premises Consultation Fees**”), in advance, associated with our consultation to you. The On- Premises Consultation Fee is currently Two Hundred Fifty Dollars (\$250) per day plus our actual travel and living expenses.

12. SYSTEM STANDARDS

(A) Compliance with System Standards.

(1) You acknowledge that each and every detail of the appearance, layout, décor, cleanliness, safety standards, services and operation of your Restaurant is essential to us and to other Restaurant franchisees to preserve the goodwill of the Marks and all Restaurants. You agree to cooperate with us by operating and maintaining your Restaurant safely and securely and according to all of our System Standards (whether contained in the Manual or another written communication to you), as we periodically modify and supplement them. You agree that System Standards we prescribe in the Manual, or otherwise communicated to you in writing or another tangible form (for example, via a website, intranet or extranet), are part of this Agreement as if fully described within its text.

(2) We may periodically modify the System (including System Standards), and these modifications may obligate you to invest additional capital in your Restaurant and/or incur higher operating costs. We may require you to integrate new, updated services and products into your Restaurant. You agree to accept, integrate, and use or display in your Restaurant any such changes or modifications to the System as if they were a part of the System at the time this Agreement was executed, and you agree to make such expenditures as the changes or modifications in the System may require. This includes but is not limited to refurbishing or remodeling the Premises or any other aspect of your Restaurant, hiring additional personnel, buying new equipment, adding new services and products, or otherwise modifying the nature of your operations, as if those changes or modifications were part of the System as of the Effective Date.

(3) If you or your owners, employees, designees, or independent contractors develop any new concepts, menu items, recipes, product offerings, services, products, processes or improvements relating to the System, you promptly shall notify us and provide us with all information regarding the new concept, menu items, recipes, product offerings, services, products, processes or improvements, all of which shall become our property and which may be incorporated into the System as a “work made for hire” without any payment to you or your owners, employees, designees or independent contractors. If any designee or independent contractor develops any new concepts, processes or improvements relating to the System on your behalf, you shall obtain covenants that you own (as a “work made for hire”) such concepts, processes, or improvements (and all components) and have the right to transfer to us such concepts, processes, or improvements. You, at your own expense, shall promptly take all actions deemed necessary or desirable by us to vest in us ownership of such concepts, processes, or improvements. To the extent that any item does not qualify as a “work made-for-hire” for us, by this Section you assign ownership of that item, and all related rights to that item, to us and agree to take whatever action (including signing assignment or other documents) we request to evidence our ownership or to help us obtain intellectual property rights in the item. We will make no payment to you for any such item, or for our subsequent use (or our franchisees’ subsequent use) of such item.

(B) Approved Products, Services, Distributors and Suppliers.

(1) You acknowledge that the reputation and goodwill of Restaurants are based upon, and can only be maintained by, the delivery of high-quality services and products under the Marks. You agree that you will at your Restaurant: (a) provide all services and products that we specify from time to time and only in the manner we prescribe; (b) not provide any services or products we have not approved; (c) offer for sale and sell all products only at retail and from the Premises and you will not offer or sell any products at wholesale or transfer products to any other business or other business not operating under the System; and (d) you will discontinue selling and offering for sale any services or products that we at any time decide (in our sole discretion) to disapprove in writing, provided, however, that you may continue to sell discontinued products for up to 3 months after their discontinuance unless we determine that they are a public hazard or are detrimental to the public image of our System. You will also immediately stop providing any service if we determine that it is a public hazard or detrimental to the public image of our System.

(2) We have developed and may continue to develop certain proprietary or branded products that will be prepared by or for us or our affiliates according to our proprietary designs (collectively "Proprietary Products"). We also have developed standards and specifications for other products, materials and supplies incorporated or used in providing services and the packaging and delivery of products authorized for sale at Restaurants. You agree that you will: (a) purchase those Proprietary Products only from us or a third party designated and licensed by us to prepare and sell such products (collectively "Designated Suppliers"); and (b) purchase from manufacturers, distributors, vendors and suppliers approved by us (collectively "Approved Suppliers") all other goods, products, materials and supplies (collectively "Goods"), as well as advertising materials furniture, fixtures, equipment, forms, or retail products, professional skin and body care, and supplies associated with providing the Authorized Services at your Restaurant (collectively "Materials") that meet the standards and specifications promulgated by us from time to time. We have the right to require that you use only certain brands (collectively "Approved Brands") and to prohibit you from using other brands. We may from time to time modify the list of Approved Brands, and you will not, after receipt of such modification in writing, reorder any brand that is no longer an approved brand.

(3) We may from time to time modify the list of Designated Suppliers and/or Approved Suppliers, and you must not, after receipt of such modification in writing, order any Proprietary Products from a supplier who is no longer a Designated Supplier or order any Goods or Materials from a supplier who is no longer an Approved Supplier. We may approve one or more suppliers for any Goods or Materials and may approve a supplier only to certain Goods or Materials. We reserve the right to charge Designated Suppliers a license fee for the right to manufacture Proprietary Products for use in a Restaurants.

(4) From time to time, we and our affiliates may receive payments from suppliers (including Designated Suppliers and Approved Suppliers) on account of such suppliers' dealings with you and other franchisees and may use any amounts received without restriction and for any purpose we and our affiliates deem appropriate. We may concentrate purchases with one or more suppliers to obtain lower prices and/or the best advertising support and/or services for any group of Restaurants or any other group of businesses franchised or operated by us or our affiliates. Approval of a supplier may be conditioned on requirements relating to the product quality, prices, consistency, reliability, financial capability, labor relations, frequency of delivery, reporting capabilities, standards of service, including prompt attention to complaints, or other criteria, and concentration of purchases, as described above, and may be temporary pending a further evaluation of such supplier by us.

(5) If you propose to purchase any Goods or Materials (that you are not required to purchase from us, an affiliate of ours or an Approved Supplier) from a supplier that we have not previously

approved, you must submit to us a written request for such approval or request the supplier to do so itself. We have the right to require, as a condition of our approval, that our representatives be permitted to inspect the supplier's facilities, and that such information, specifications, and samples as we reasonably designate be delivered to us and/or to an independent, certified laboratory designated by us for testing prior to granting approval. A charge not to exceed the lesser of \$10,000 and the ~~reasonable~~ cost of the inspection and the actual cost of the test must be paid by you. We will notify you within 60 days of your request as to whether you are authorized to purchase such products from that supplier. We reserve the right, at our option, to re-inspect the facilities and products of any such Approved Supplier and to revoke our approval upon the suppliers' failure to continue to meet any of the foregoing criteria.

(6) You must at all times maintain an inventory of approved Goods and Materials sufficient in quality and variety to realize the full potential of your Restaurant. We may, from time to time, conduct market research and testing to determine consumer trends and the salability of new products and services. You agree to cooperate in these efforts by participating in our customer surveys and market research programs if requested by us. All customer surveys and market research programs will be at our sole cost and expense or charged to the Advertising Fund unless such survey or program has been approved by you, and you have approved its proportionate cost. You must not test any new product or service without first being requested to by us and signing a test letter agreement in a form satisfactory to us.

(7) You must utilize an Approved Supplier of music at your Restaurant at your expense.

(8) We and our affiliates disclaim all express or implied warranties concerning any approved goods, materials, or services, including, without limitation, any warranties as to merchantability, fitness for a particular purpose, availability, quality, pricing, or profitability. You acknowledge that we and our affiliates may, under appropriate circumstances, receive fees, commissions, rebates, royalties, or other consideration from suppliers based on sales to you and we may use any amounts received without restriction and for any purpose we and our affiliates deem appropriate. We may charge non-approved suppliers ~~reasonable~~ testing or inspection fees.

(C) Computer Systems.

(1) You agree to purchase from us, or a vendor of our choice, and use the Computer Systems we specify, which includes such equipment, computer hardware, routers, high speed Internet and/or communications connections, printers and related accessories or peripheral equipment as we specify in the Manual or otherwise. The Computer Systems include web-based scheduling, reservation, and payment systems. You must provide all assistance, maintenance, and support required to utilize the Computer Systems at your Restaurant. You agree that any data and information generated, collected, retrieved, maintained, or polled from your Computer Systems belongs to us. You must maintain and use a Restaurant email address that we assign to you.

(2) You acknowledge that the Computer Systems are designed to accommodate a finite amount of data and operate with certain performance parameters, and that, as these limits are reached, or as technology or software is developed in the future, we may, in our sole discretion, mandate that you (at your expense): (a) add memory, accessories or peripheral equipment or additional, new or substitute software to the your computers and related hardware and software; and (b) replace or upgrade the Computer Systems with a larger system capable of assuming and discharging the computer-related tasks and functions specified by us. You acknowledge that that we may desire to make substantial modifications to the Computer Systems or to require installation, subscription, or adoption of entirely different systems during the term of this Agreement. Within 60 days after you receive notice from us, you agree to obtain, subscribe, download, and/or install the new or updated systems that we designate. If we install these components for

you, you must pay our then-current installation fees and any travel, living and other expenses incurred by our personnel.

(3) You agree that we or our affiliates may condition any license of proprietary software to you, or your use of technology that we or our affiliates develop or maintain, on your signing a software license agreement or similar document that we or our affiliates prescribe to regulate your use of, and our and your respective rights and responsibilities with respect to, the software or technology. We and our affiliates may charge you a monthly or other fee for any proprietary software or technology that we or our affiliates license to you and for other maintenance and support services that we or our affiliates provide during the term of this Agreement.

(4) You must obtain a maintenance service agreement with an Approved Supplier of technology support services and use and maintain the Computer Systems according to our System Standards, you will have sole and complete responsibility for: (a) the acquisition, operation, maintenance, and upgrading of the Computer Systems; (b) the manner in which your Computer Systems interface with our and any third party's computer system; and (c) any and all consequences if the Computer Systems is not properly operated, maintained, and upgraded. You may not install any software (including, but not limited to, virus and spam filters and firewalls) other than authorized upgrades or make any hardware modifications to the Computer Systems without our prior written consent.

(5) To ensure full operational efficiency and communication capability between our computers and your Computer Systems, you agree, at your expense, to keep your Computer Systems in good maintenance and repair and to make additions, changes, modifications, substitutions and replacements to your computer hardware, software, internet, cloud systems, servers, backup systems and power lines and other computer-related facilities as directed by us, and on the dates and within the times specified by us in our sole discretion. Upon termination or expiration of this Agreement, all computer software, and storage media must be returned to us in good operating condition, excepting normal wear and tear.

(D) Non-Cash Payment Systems.

(1) You must accept all forms of payment that we specify, including but not limited to, membership credits or points, debit cards, credit cards, stored value, loyalty cards, gift cards or other non-cash payment systems specified by us or as reflected in our Manual to enable customers to purchase products and services.

(2) You must participate in and honor the terms of any membership, discount, loyalty, or promotional program (including gift card, loyalty, and discount programs that are applicable to the Restaurant System as a whole, specific markets or certain Restaurants only) that we offer to the public on your behalf and shall be responsible for the fees payable in conjunction with the operation of these programs. You agree that you will take all action necessary (including the supply to us of all information and the purchase of any supplies, equipment, or services) to participate in any discount or promotional programs.

(E) Condition and Appearance of your Restaurant.

(1) You must routinely maintain and continuously operate your Restaurant and all furniture, fixtures, equipment, furnishings, floor coverings, interior and exterior signage, building interior and exterior, interior, and exterior lighting, landscaping, and parking lot surfaces in first-class condition and repair in accordance with the requirements of the System, including all ongoing necessary remodeling, redecorating, refurbishing and repairs. In that regard, you agree to undertake, without limitation, the following actions during the term of this Agreement: (a) frequent safety inspection of the Premises

including, but not limited to, all equipment, tables, products and other items used in the operation of your Restaurant; (b) thorough cleaning, repainting and redecorating of the interior and exterior of the Premises at intervals we prescribe including resurfacing of the parking lot, roof repairs, and replacement of obsolete or worn out signage, floor coverings, furnishings, equipment and décor; (c) interior and exterior repair of the Premises; and (d) repair or replacement of damaged, worn out, obsolete or unsafe equipment.

(2) You will place or display at the Premises (interior and exterior) only those signs (including neon), emblems, photographs, designs, artwork, lettering, logos, and display and advertising materials that we from time to time approve. You must not make any material alterations to your Restaurant that may, in our reasonable discretion, negatively impact operations or the image of the System without our prior written consent. It is your responsibility to keep the Premises, equipment used at the Premises, your staff, and your customers safe and secure. We may from time to time provide information to you regarding safety and security, but we have no obligation to do so.

(3) If, at any time in our reasonable judgment, the general state of repair, condition, appearance, or cleanliness of the Premises of your Restaurant or its fixtures, furnishings, equipment, or signs does not meet our System Standards, we have the right to notify you, specifying the action you must take to correct the deficiency. You will have 30 days to make these corrections. If you do not initiate action to correct such deficiencies within this 30-day period, we have the right, in addition to all other remedies, to enter the Premises and do any required maintenance or refurbishing on your behalf, and you agree to reimburse us on demand for any expenses we incur in that connection. If we make a reasonable determination that the continued operation of your Restaurant by you will result in imminent danger to public health or safety, we may terminate this Agreement as stated in Section ~~19(B)(10)~~19(B)(10) or, in our sole discretion, we may require you to close your Restaurant temporarily to make the necessary repairs or alterations.

(4) Upon receipt of notice from us, you agree to remodel, expand, redecorate, reequip and/or refurbish the Premises and your Restaurant to conform your Restaurant to the image of the System for new Restaurants. If any single modification exceeds \$10,000, then you will have 6 months to comply with such modifications. Except as described below, we will not require a major redesign of your Restaurant that will cost more than \$10,000 more than twice during the Initial Term of this Agreement. In the event we determine, in our sole discretion, that you cannot amortize the cost of the major redesign over the remaining years of the Initial Term, we may agree to extend the Initial Term of this Agreement. If a major redesign of the Premises is required by the Americans with Disabilities Act or any new safety standards that are enacted by Frankfurters Franchising or any governmental or regulatory agency, you will be required to complete that redesign, regardless of the cost of compliance.

(F) Maximum Operation of your Restaurant.

(1) During the term of this Agreement, you must use the Premises solely for the operation of your Restaurant and you must maintain sufficient inventories, adequately staff each shift with qualified employees and continuously operate your Restaurant at its maximum capacity and efficiency for the minimum number of days and hours reflected in the Manual or as we otherwise prescribe in writing. As of the Effective Date, your Restaurant must be open and available for services and products six (6) days and 60 hours per week.

(2) You must immediately resolve any customer complaints regarding the quality of service, products and/or cleanliness of your Restaurant or any similar complaints. When any customer complaints cannot be immediately resolved, you must use best efforts to resolve the customer complaints as soon as practical and you must, whenever feasible, give the customer the benefit of the doubt. If we, in our sole discretion, determine that our intervention is necessary or desirable to protect the System or the

goodwill associated with the System, or if we, in our sole discretion, believe that you have failed adequately to address or resolve any customer complaints, we may, without your consent, resolve any complaints and charge you an amount sufficient to cover our ~~reasonable~~-costs and expenses in resolving the customer complaints, which amount you must pay to us immediately on demand.

(G) **Compliance with Laws and Good Business Practices.** You must secure and maintain in force all required licenses, permits and certificates relating to the operation of your Restaurant and any other licenses applicable to your management and personnel. You must comply with all applicable local, state, and federal regulations, including but not limited to the Corporate Transparency Act (31 U.S.C. § 5336), as amended, and the rules and regulations promulgated thereunder. You will operate your Restaurant in full compliance with all applicable laws, ordinances, and regulations, including, without limitation, government regulations relating to food safety, restaurant operations, occupational hazards, health, worker's compensation, unemployment insurance, and withholding and payment of federal and state income taxes, social security taxes and sales and service taxes. You must notify us in writing within five (5) days of the commencement of any proceeding or the issuance of any decree of any court or government agency that may adversely affect the operation of your Restaurant or your financial condition or give rise to liability or a claim against you or us. You must follow and abide by the crisis management information contained in the Manual.

(H) **Health Inspections.** You must score no less than a ninety percent (90%) on each health inspection of applicable local, state, county, or national inspectors.

(I) **Management and Staffing of your Restaurant.**

(1) Your Restaurant must at all times be under the on-premises supervision of you or your Operating Principal, General Manager, or a manager of your Restaurant that we have approved and/or who has completed and been certified by our initial training program. You must keep us informed at all times of the identity of any supervisory employee(s) acting as managers of your Restaurant. Your managerial personnel must devote their full time and best efforts to the management and supervision of your Restaurant.

(2) You, your Operating Principal, and/or General Manager must manage and provide general oversight of your Restaurant. You or your Operating Principal must remain active in overseeing the operations of your Restaurant, including, without limitation, regular, periodic visits to your Restaurant and sufficient communications with us to ensure that the operations of your Restaurant comply with the System Standards promulgated by us from time to time in the Manual or otherwise in written or oral communications to you.

(3) If your Operating Principal does not meet our experience requirements, and other ~~reasonable~~-qualifications, you will be required, prior to opening your Restaurant for business, to retain a General Manager that meets our qualifications and requirements. Our qualifications and requirements are identified in our Manual.

(4) Your Restaurant must at all times be operated by the number of staff members and managerial personnel that we designate or as required by any applicable government regulations. You must hire all employees of your Restaurant and be exclusively responsible for the terms of their employment and compensation, and for the proper training of such employees in the operation of your Restaurant, in human resources and customer relations. You must establish at your Restaurant a training program for all employees that meets our standards.

(5) You must conduct appropriate criminal background checks and due diligence on all employees of your Restaurant to determine that your employees meet the high ethical standards necessary for working in a restaurant and in connection with the preparation and serving of food products. You must comply with all state and local laws and regulations regarding the staffing and on-premises management of personnel including, but not limited to, any required licenses and any regulations dealing with the operation of Restaurants. You must employ only suitable persons of good character and reputation who will at all times conduct themselves in a competent and courteous manner in accordance with the image and reputation of the System and, while on duty, comply with the dress attire, personal appearance and hygiene standards reflected in the Manual.

(J) Insurance.

(1) You will be responsible for all loss or damage arising from or related to your development and operation of your Restaurant, and for all demands or claims with respect to any loss, liability, personal injury, death, property damage, or expense whatsoever occurring upon the Premises, or in connection with the development and/or operation of your Restaurant. You must obtain from an Frankfurters Franchising approved broker or carrier, and maintain in full force and effect throughout the term of this Agreement that insurance which you determine is necessary or appropriate for liabilities caused by or occurring in connection with the development or operation of your Restaurant, which shall include, at a minimum, the following:

(a) Comprehensive general liability insurance written on an occurrence form, including coverage for professional liability, broad form contractual liability, broad form property damage, personal injury, advertising injury, completed operations, and products liability, in an amount not less than \$1,000,000 per occurrence, \$2,000,000 general aggregate, \$2,000,000 products/completed operations aggregate, \$1,000,000 personal and advertising injury, \$100,000 damage to premises rented to you. The general liability coverage shall be written on a primary and non-contributory basis and include a waiver of subrogation endorsement in favor of us and shall not limit or exclude contractual liability. There should be no limitation or exclusion for sexual abuse or molestation coverage as coverage must be maintained for such actions.

(b) Employment related practices liability insurance, including third party coverage, in an amount not less than \$1,000,000 per occurrence and \$1,000,000 aggregate. Such insurance must include a deductible of more than \$10,000 unless we approve a higher deductible in writing. Prior acts retroactive date must be no later than the effective date of your Franchise Agreement.

(c) Commercial automobile insurance written on a combined single limit basis for bodily injury and property damage with a limit of not less than \$1,000,000 per accident. Such insurance shall include coverage for owned, hired, and non-owned automobiles and shall include additional insured and waiver of subrogation endorsements in favor of us.

(d) Commercial umbrella or excess liability following form insurance in an amount not less than \$2,000,000 per occurrence and \$2,000,000 aggregate.

(e) Property insurance coverage to include coverage for replacement costs of all Franchisee-owned contents and tenant improvements at each location, and business interruption insurance for a period adequate to re-establish normal business operations, not to be less than twelve months. All property related coverage shall be written on special causes of loss forms with deductibles not to be greater than \$5,000 per occurrence.

(f) Workers' compensation (Coverage A) with statutory limits complying with the laws of the applicable state, and employer's liability (Coverage B) with limits not less than \$1,000,000 per accident, \$1,000,000 disease policy limit, and \$1,000,000 disease per employee. Such insurance shall include a waiver of subrogation endorsement in favor of us.

(g) Such other insurance as may be required by us from time to time or by the Landlord of the Restaurant premises at, and by the state or locality in, which the Restaurant is located. All required insurance coverages may be obtained by separate primary policies, or in combination with umbrella or excess liability policies.

(2) The insurance policies described above must: (i) have a deductible equal to or less than stated above; and (ii) include a waiver of subrogation endorsement in favor of Franchisor; (iii) shall not exclude contractual liability. The Commercial General Liability coverage shall include a Waiver of Subrogation endorsement in favor of Franchisor and shall not limit or exclude Contractual Liability. There should be no limitation or exclusion for sexual abuse or molestation coverage.

(3) The types and amount of insurance listed above represent the minimum coverage you are required to secure prior to opening your Restaurant. You may secure additional insurance. Additionally, local law and/or your Lease may require additional types of insurance and/or greater amounts of coverage. To the extent that your Lease requires additional policies and/or amounts of coverage, your Lease shall control although you are obligated to have each type of insurance identified above.

(4) All insurance policies must be purchased through an agent or broker on our Approved Supplier list and be written by an insurance company that meets our approval. We may from time to time increase the minimum required coverage and/or require different or additional insurance coverage (including an additional umbrella liability insurance policy) at any time to reflect inflation, identification of new risks, changes in law or standards of liability, higher damage awards or other relevant changes in circumstances. We will provide you with written notice of such modifications and you must take prompt action to secure the additional coverage or higher policy limits. All insurance policies must name us and any affiliates we designate as additional named insureds and provide 30 days' prior written notice to us of a policy's material modification, cancellation, or expiration.

(5) Each insurance policy shall be specifically endorsed to provide that the coverage shall be primary, and that any insurance carried by any additional insured shall be excess and non-contributory. At least 10 days prior to commencing construction of the Restaurant or 3 days before taking ownership of an existing open Restaurant and annually thereafter, you must submit to us a copy of your Certificates of Insurance or other evidence that you are maintaining this insurance coverage and paying premiums. If you fail or refuse to obtain and maintain the insurance we specify, in addition to our other remedies, we may obtain such insurance for you and the Restaurant, in which event you must cooperate with us and reimburse us for all premiums, costs and expenses we incur in obtaining and maintaining the insurance, plus a ~~reasonable~~ fee for our time incurred in obtaining such insurance. The insurance policies described above must: (i) have a deductible no greater than \$10,000; and (ii) include a waiver of subrogation endorsement in favor of Franchisor; (iii) shall not exclude contractual liability.

(6) These insurance policies must name us and any affiliates that we designate and our and their respective officers and owners as additional named insureds and provide for 30 days' prior written notice to us of a policy's material modification, cancellation, or expiration. Each insurance policy shall be specifically endorsed to provide that the coverage shall be primary, and that any insurance carried by any additional insured shall be excess and non-contributory.

(7) At least 10 days prior to commencing construction of your Restaurant (or, if you are acquiring an existing Restaurant, 10 days prior to the transfer of ownership interests) and annually thereafter, you promise to submit to us a copy of your Certificates of Insurance or other evidence of your maintaining this insurance coverage and paying premiums. If you fail or refuse to obtain and maintain the insurance we specify, in addition to our other remedies, we may (but need not) obtain such insurance for you and your Restaurant on your behalf, in which event you must cooperate with us and reimburse us for all premiums, costs and expenses we incur in obtaining and maintaining the insurance, plus ten percent (10%) of the insurance premiums paid, as an administrative fee in obtaining such insurance.

(K) Notification of Claims. You must notify us in writing within 5 days of receipt of notice of any health or safety violation, the commencement of any action, suit, or proceeding, and of the issuance of any order, writ, injunction, award, or decree of any court, agency, or other governmental instrumentality, or occurrence of any accident or injury which may adversely affect the operation of your Restaurant or your financial condition or give rise to liability or a claim against you or us.

(L) Right to Inspect your Restaurant. You acknowledge and agree that we have the right upon reasonable notice to you, to inspect your Restaurant (the "Inspection"). Our right to inspect your Restaurant shall include the right to conduct reasonable inspections of your operations, marketing, safety systems and programs, financial systems, maintenance, and necessary repairs of your Restaurant. A report and score may be generated as part of the Inspection. A copy of the report and score will be provided to you as well as to the Frankfurters Franchising corporate office. A failing score on an Inspection shall be a default of the Franchise Agreement and, subject to the terms of Section ~~19(C)~~19(C), be grounds for termination of the Franchised Agreement.

(M) Pricing. We may, to the fullest extent permitted by law, impose minimum or maximum price that you may charge for services or products. You must participate, to the fullest extent permitted by law, in all local, regional, and national promotional campaigns that we offer including those related to pricing for products.

13. MARKS

(A) Ownership and Goodwill. Your right to use the Marks is derived only from this Agreement and is limited to your operating your Restaurant at the Premises according to this Agreement and all System Standards we prescribe during the term of this Agreement. You acknowledge and agree that your use of the Marks and any goodwill established by that use are exclusively for our benefit and that this Agreement does not confer any goodwill or other interests in the Marks upon you (other than the right to operate your Restaurant under this Agreement). You may not at any time during or after this Agreement's term contest or assist any other person in contesting the validity, or our ownership, of the Marks.

(B) Limitations on Your Use of Marks.

(1) You agree to use the Marks as the sole identification of your Restaurant, except that you agree to identify yourself as its independent operator in the manner we prescribe. Unless you obtain our prior written consent, you may not use any Mark, any derivatives of the Marks or similar mark: **(a)** as part of any corporate or legal business name; **(b)** with any prefix, suffix, or other modifying words, terms, designs, or symbols (other than logos we have licensed to you); **(c)** in selling any unauthorized services or products; or **(d)** in any other manner that we have not expressly authorized in writing.

(2) You may not use any Mark in advertising the transfer, sale, or other disposition of your Restaurant or an ownership interest in you without our prior written consent, which we will not unreasonably withhold. You agree to display the Marks prominently as we prescribe at your Restaurant and

on forms, advertising, supplies, and other materials we designate. You must ensure that the Marks bear the “®,” “TM,” or “SM” symbol, as we prescribe from time to time. You agree to give the notices of trade and service mark registrations that we specify and to obtain any fictitious or assumed name registrations required under applicable law.

(C) Use of Marks on Internet. You may not use the Marks on any Internet domain name, e-mail address, Internet Website, or social media platform without our prior written consent. We may grant or withhold our consent in our sole discretion. We may, upon written notice to you, require you to retain a Designated Supplier of social media, public relations, and digital marketing services (“Social Media Services”). There may be a fee payable to such Designated Supplier in connection with Social Media Services. You will be required to retain and utilize such Designated Supplier(s) upon written notice from us.

(D) Notification of Infringements and Claims. You agree to notify us immediately of any apparent infringement or challenge to your use of any Mark or of any person’s claim of any rights in any Mark, and not to communicate with any person other than us, our attorneys, and your attorneys, regarding any infringement, challenge, or claim. We may take the action we deem appropriate (including no action) and control exclusively any litigation, U.S. Patent and Trademark Office proceeding, or other administrative proceeding arising from any infringement, challenge, or claim or otherwise concerning any Mark. You agree to sign any documents and take any other reasonable action that, in the opinion of our attorneys, are necessary or advisable to protect and maintain our interests in any litigation or Patent and Trademark Office or other proceeding or otherwise to protect and maintain our interests in the Marks. We will reimburse you for your costs in taking any action that we have asked you to take.

(E) Discontinuance of Use of Marks. If it becomes advisable at any time for us and/or you to modify or discontinue using any Mark and/or to use one or more additional or substitute Marks, you agree to comply with our directions within a reasonable time after receiving notice. We need not reimburse you for your direct expenses of changing your Restaurant’ signs or any printed collateral, for any loss of revenue due to any modified or discontinued Mark, or for your expenses of promoting a modified or substitute Mark.

(F) Indemnification for Use of Marks. We agree to reimburse you for all damages and expenses that you incur in any trademark infringement proceeding disputing your authorized use of any Mark under this Agreement if you have timely notified us of, and comply with our directions in responding to, the proceeding, and you have used the Mark(s) in compliance with this Agreement, the Manual, and any other directives from us. At our option, we may defend and control the defense of any proceeding arising from your use of any Mark under this Agreement.

14. YOUR ORGANIZATIONAL STRUCTURE

(A) Representations.

(1) If you are a corporation, a limited liability company or a partnership (“Entity”), you make the following representations and warranties: (a) you are duly organized and validly existing under the laws of the state of formation; (b) you are qualified to do business in the state, county, and city in which your Restaurant is located; (c) execution of this Agreement and the development and operation of your Restaurant is permitted by your governing documents; (d) unless waived in writing by us, your Sections of Incorporation, Sections of Organization or written partnership agreement must at all times provide that your activities are limited to the development and operation of Restaurants and other businesses operated by you that are franchised by us or our affiliates; and (e) all interests in you are owned as described in attached Exhibit 2; (f) each person owning a 20% or more interest in Franchisee has executed a guaranty agreement (Exhibit 3) undertaking to be bound by the provisions of the Franchise Agreement.

(2) If you are an individual, a group of individuals, or a partnership comprised solely of individuals, you make the following additional representations and warranties: (a) each individual has signed this Agreement; (b) each individual will be jointly and severally bound by, and personally liable for the timely and complete performance and breach of, each and every provision of this Agreement; and (c) in any transfer for convenience of ownership, each individual will continue to be jointly and severally bound by, and personally liable for the timely and complete performance and breach of, each and every provision of this Agreement.

(B) **Governing Documents.** If you are an Entity, then you must provide us with copies of your organizational and governing documents (“governing documents”). When any of these governing documents are modified or changed, you must promptly provide copies to us. You must maintain a current list of all of your owners, members, or partners (and the percentage ownership of each owner, member, or partner). You must comply with Section ~~16(B)~~16(B). prior to any change in ownership interests and sign and deliver to us a revised Exhibit 2 to reflect any permitted changes in the information that Exhibit 2 now contains. If you are an Entity, you must maintain stop-transfer instructions against the transfer on your records of any voting securities, membership interests or ownership interests. If you are a publicly-held corporation these requirements will apply only to the stock owned by your shareholders who have an ownership interest in you in excess of 10%.

(C) **Personal Guaranty.** Each of your owners who hold an ownership interest in you of 20% or more at any point during the term of this Agreement must sign a guaranty in the form we prescribe undertaking personally to be bound, jointly and severally, by all provisions of this Agreement and any ancillary agreements between you and us. Our current form of guaranty is attached as Exhibit 3.

(D) **Operating Principal.**

(1) If you are owned by more than one individual or you are an Entity, you must designate and retain an individual (which may be one of your owners) to serve as your Operating Principal. The Operating Principal as of the date of this Agreement is identified in Exhibit 2. The Operating Principal, at all times, must have at least a 10% equity ownership interest in you and must be responsible for overseeing and supervising the operation of your Restaurant. The Operating Principal will be the person with whom we will communicate on all major policy, financial, management and operational matters, and the only person that we will recognize as having authority to communicate for and on your behalf. You may not change the Operating Principal without our prior written consent.

(2) The Operating Principal must successfully complete and receive our certification in our Initial Training Program and any additional training that we require. The Operating Principal must devote full-time and best efforts to supervising the operation of your Restaurant and those other businesses (that are franchised by us or our affiliates) operated by you in the same geographic area as your Restaurant and must not engage in any other business or activity, directly or indirectly, that requires substantial management responsibility. The Operating Principal must maintain her primary residence within a reasonable driving distance of your Restaurant.

(3) If the Operating Principal no longer qualifies as such, you must designate another qualified person to function as Operating Principal within 30 days after the date the prior Operating Principal ceases to be qualified. Your designee to become the Operating Principal must successfully complete our initial training program and any additional training we require within 30 days after being designated as your Operating Principal.

(4) If your Operating Principal does not meet our qualifications and requirements regarding experience in the spa industry, you will be required, prior to opening your Restaurant for business,

to retain a General Manager that meets our qualifications and requirements. Our qualifications and requirements are identified in our Manual.

(E) General Manager. Your General Manager must devote full time and best efforts to the management and supervision of your Restaurant. The General Manager must successfully complete and be certified in our training programs. If the General Manager no longer qualifies as such, you must designate another qualified person to function as General Manager within 30 days after the date the prior General Manager ceases to be qualified. Your designee to become the General Manager must successfully complete and be certified by us in the initial training program and any additional training that we require within 30 days after being designated as your General Manager.

15. TRANSFER BY US. We have the absolute, unrestricted right, exercisable at any time, to change our ownership or form and/or transfer and assign all or any part of our rights and obligations under this Agreement to any person or legal entity without your consent. After our transfer or assignment of this Agreement to a third party who expressly assumes the obligations under this Agreement, we no longer will have any performance or other obligations under this Agreement.

16. TRANSFER BY YOU

(A) Transfer Generally. You understand and acknowledge that the rights and duties this Agreement creates are personal to you (or, if you are an Entity, to your owners) and that we have granted the Franchise to you in reliance upon our perceptions of your (or your owners') individual or collective character, skill, aptitude, attitude, business ability, and financial capacity. Accordingly, neither you nor any immediate or remote successor to any part of your interest in this Agreement, nor any individual or Entity which directly or indirectly controls you may sell, assign, transfer, convey, give away, pledge, mortgage, or otherwise encumber any interest in you, this Agreement, the Franchise, your Restaurant, the Assets of your Restaurant, the Premises, the Lease or any other assets pertaining to your operations under this Agreement (collectively "Transfer") without our prior written consent. Except as otherwise provided in this Agreement, any purported Transfer, by operation of law or otherwise, not having our prior written consent will have no effect with regard to us and will constitute a material breach of this Agreement, for which we may terminate this Agreement without providing you an opportunity to cure the breach.

(B) Conditions for Approval of Transfer.

(1) You must advise us in writing of any proposed Transfer, submit (or cause the proposed transferee to submit) a franchise application for the proposed transferee, a copy of all contracts and all other agreements or proposals, and all other information requested by us, relating to the proposed Transfer. Along with that required information, you must pay us a transfer fee ~~of~~ \$10,000 ("**Transfer Fee**"). The Transfer Fee is non-refundable, however, if the proposed Transfer transaction does not close, then we shall apply the Transfer Fee against the transfer fee for any subsequent Transfer that you close within the 12-month period following your initial Transfer application. If we do not exercise our right of first refusal (as stated in Section ~~16(G)~~16(G)), the decision as to whether or not to approve a proposed Transfer will be made by us in our sole discretion and will include numerous factors deemed relevant by us. These factors may include, but will not be limited to, the following:

(2) the proposed transferee meets our then-current standards for new franchisees and has sufficient business experience, aptitude, and financial resources to operate your Restaurant.

(3) you have paid all amounts owed to us, our affiliates, and third-party vendors and suppliers, have submitted all required reports and statements, and are not in violation of this Agreement.

(4) neither the proposed transferee nor its owners or affiliates have an ownership interest (direct or indirect) in or perform services for a Competing Business (as defined in Section ~~18(B)~~18(B)).

(5) the proposed transferee (or its Operating Principal) satisfactorily completes our initial training program (and any other required training programs we require) and pays any then-current training fees.

(6) the proposed transferee has demonstrated an ability to obtain possessory rights in the Premises.

(7) you have corrected any existing deficiencies of your Restaurant of which we have notified you, and/or the proposed transferee agrees to upgrade, remodel, and refurbish your Restaurant in accordance with our then current requirements and specifications for Restaurants within the time period we specify following the effective date of the Transfer (we will advise the proposed transferee before the effective date of the Transfer of the specific actions that are required and the time period within which such actions must be taken);

(8) if you or your owners finance any part of the purchase price, you and/or your owners agree that all of the transferee's obligations under promissory notes, agreements, or security interests reserved in your Restaurant are subordinate to the transferee's obligation to pay Royalty Fees, Advertising Fund contributions, and other amounts due to us, our affiliates, and third-party suppliers and vendors and otherwise to comply with this Agreement; and

(9) you (and your transferring owners) must sign a general release, in a form satisfactory to us, of any and all claims against us and our affiliates, officers, directors, employees, and agents.

(10) you modify and/or upgrade certain fixtures, equipment, features, and computer hardware or software to our then current standards prior to the closing of the proposed Transfer.

(11) If we approve a proposed Transfer, prior to the Transfer becoming effective:

(a) you or the proposed transferee must pay us the balance of the nonrefundable Transfer Fee, to reimburse us for ~~reasonable~~ expenses associated with reviewing the Transfer. The Transfer Fee will be waived if the proposed transferee: (1) is an Entity formed by you for the convenience of ownership as stated in Section ~~16(C)~~16(C); or (2) has obtained your Restaurant as a result of your death or permanent incapacity as provided in Section ~~16(D)~~16(D);

(b) if the franchise candidate for the Transfer comes through the investigation process with a franchise sales broker that we have retained, then the transferee must pay our then-current Initial Franchise Fee. This enables us to pay the additional costs we incur, including the payment of the broker's commission.

(c) you and the proposed transferee must sign, at our election, either an assignment agreement and any amendments to this Agreement deemed necessary or desirable by us to reflect the Transfer or our then-current standard form of franchise agreement for a term ending on the expiration date of the Initial Term of this Agreement. In either event, if the proposed transferee is an Entity, the transferee must complete **Exhibit 2** as required by Section ~~14(B)~~14(B). and all individuals who hold or will hold an ownership interest in Franchisee of 20% or more must sign the guaranty attached as Exhibit 3.

(d) the proposed transferee must sign our then-current license agreements or service agreements related to the Computer Systems; and

(e) you (and all of your owners) must, at our request, sign a written guaranty to which you will remain liable for all obligations to us incurred before the date of the Transfer.

(12) Following the effective date of the Transfer:

(a) you and your transferring owners agree not to engage in any of the activities proscribed Section ~~18(B)~~18(B). below, for the Restricted Period in the Restricted Area; and

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

(C) Transfer for Convenience of Ownership. If you are an individual or a partnership and you would like to Transfer this Agreement to a corporation or limited liability company formed exclusively for the convenience of ownership, the requirements of Section ~~16(B)~~16(B). will apply to such a Transfer; however, you will not be required to pay a Transfer Fee. Our approval also will be conditioned on the following: (1) the corporation or limited liability company must be newly organized; (2) prior to the Transfer, we must receive a copy of the documents specified in Section ~~14(B)~~14(B). and the transferee must comply with the remaining provisions of Section ~~14~~14; (3) you must own all voting securities of the corporation or membership interests of the limited liability company or, if you are owned by more than one individual, each person must have the same proportionate ownership interest in the corporation or the limited liability company as prior to the Transfer; and (4) you and your owners must agree to remain personally liable under this Agreement as if the Transfer to the corporation or limited liability company did not occur.

(D) Transfer upon Your Death or Permanent Incapacity. If the Transfer is a transfer of ownership interests in you following the death or permanent incapacity (as reasonably determined by us) of one of your owners, that person's executor, administrator, or other personal representative must apply to us in writing within 90 days after death or declaration of disability for consent to Transfer this person's interest to a third party that we have approved. We do not charge a Transfer Fee under this Section ~~16(D)~~16(D). That Transfer must be completed within a reasonable time, not to exceed 6 months from the date of death or disability and is subject to all of the terms and conditions in this Section ~~16~~16. Any proposed Transfer pursuant to this Section shall be subject to Section ~~16(G)~~16(G) below which will grant us the right to acquire the Restaurant for "fair market value" as determined by a third party appraiser. A failure to Transfer your interest in this Agreement or the Operating Principal's ownership interest in you within this time period will constitute a breach of this Agreement. We may, in our sole discretion, in lieu of exercising remedies available to use under the terms of this Agreement, agree to operate your Restaurant if you are unable to secure an approved buyer for the Restaurant within the timeline set forth herein. If we exercise such right, you will pay us the Management Fee specified in Section ~~7(H)~~7(I) for any time period that we run and manage your Restaurant.

(E) No Rights to Grant a Security Interest. You may not grant any security interest in your business entity, your Restaurant, the Premises, or the Assets without our prior written consent. Our approval may be conditioned, in our sole discretion, on the written agreement by the secured party that, in the event of a default by you under any agreement related to the security interest, we will have the right and option

(but not the obligation) to purchase the rights of the secured party upon payment of the fair market value of the secured assets.

(F) Effect of Consent to Transfer. Our consent to any Transfer is not a representation of the fairness of the terms of any contract between you and the transferee, a guarantee of your Restaurant' or the transferee's prospects of success, or a waiver of any claims we have against you (or your owners) or of our right to demand your and your transferee's full compliance with this Agreement.

(G) Our Right of First Refusal.

(1) We have the right, exercisable within 10 days after receipt of the notice specified in Section ~~16(B)(1)~~16(B)(1) or Section ~~16(D)~~16(D) to send written notice to you that we intend to purchase the interest proposed to be transferred. We may assign our right of first refusal to someone else either before or after we exercise it. Our right of first refusal will not apply with regard to Transfers for Convenience of Ownership under Section ~~16(C)~~16(C). If the Transfer is proposed, we or our designee may purchase the interest proposed to be transferred on the same economic terms and conditions offered by the third-party. Closing on our purchase must occur within 60 days after the date of our notice to the seller electing to purchase the interest. If we cannot reasonably be expected to furnish the same consideration as the third-party, then we may substitute the reasonable equivalent in cash. If the parties cannot agree within 30 days on the reasonable equivalent in cash, we will designate, at our expense, an independent appraiser, and the appraiser's determination will be final. Any material changes in the terms of the offer from a third party after we have elected not to purchase the seller's interest will constitute a new offer subject to the same right of first refusal as the third party's initial offer.

(2) If a Transfer to which our right of first refusal applies is proposed to be made by gift, we will designate, at our expense, an independent appraiser to determine the fair market value of the interest proposed to be transferred. We may purchase the interest at the fair market value determined by the appraiser. Closing on the purchase will occur within 30 days after our notice to the transferor of the appraisers' determination of fair market value.

(3) If we elect not to exercise our rights under this Section ~~16(G)~~16(G), the transferor may complete the Transfer after complying with this Section ~~16~~16. Closing on the Transfer must occur within 60 days of our election (or such longer period as applicable law may require); otherwise, the third-party's offer will be treated as a new offer subject to our right of first refusal. The Transfer is conditional upon our determination that the Transfer was completed on terms substantially the same as those offered to us. You must provide us copies of all fully executed agreements and any other information we request relating to the Transfer.

(H) Public Offering. Securities or partnership interests in you may be sold, by private or public offering, only with our prior written consent (whether or not our consent is required under any other provision of this Section), which consent will not be unreasonably withheld. In addition to the requirements of Section ~~16(B)~~16(B), prior to the time that any public offering or private placement of securities or partnership interests in you is made available to potential investors, you at your expense, must deliver to us a copy of the offering documents. You, at your expense, also must deliver to us an opinion of your legal counsel and an opinion of one other legal counsel selected by us (both of which shall be addressed to us and in a form acceptable to us) that the offering documents properly use the Marks and accurately describe your relationship with us and/or our affiliates. The indemnification provisions of Section ~~23~~23 shall also include any losses or expenses incurred by us and/or our affiliates in connection with any statements made by or on behalf of you in any public offering or private placement of your securities.

17. GENERAL RELEASE. You (on behalf of yourself and your subsidiaries and affiliates), all individuals who execute this Agreement and all guarantors of your obligations under this Agreement (collectively “Franchisee Releasers”) freely and without any influence forever release and covenant not to sue us, our parent, subsidiaries and affiliates and their respective past and present officers, directors, shareholders, agents and employees, in their corporate and individual capacities (collectively “Frankfurters Releasees”), with respect to any and all claims, demands, liabilities and causes of action of whatever kind or nature, whether known or unknown, vested or contingent, suspected or unsuspected (collectively “Released Claims”), which you or any Franchisee Releaser now own or hold or may at any time have owned or held, including, without limitation, Released Claims arising under federal, state and local laws, rules and ordinances, and Released Claims arising out of, or relating to this Agreement and all other agreements between you or any Franchisee Releaser and any Frankfurters Franchising Releasee, the sale of a franchise to you or any Franchisee Releaser, the development and operation of your Restaurant and the development and operation of all other Restaurants operated by you or any Franchisee Releaser that are franchised by any Frankfurters Franchising Releasee. This General Release does not release any claims arising from representations made in our Franchise Disclosure Document or its exhibits or otherwise impair or affect any Released Claims arising after the date of this Agreement. You (on behalf of the Franchisee Releasers) expressly agree that, with respect to this release, any and all rights granted under Section 1542 of the California Civil Code are expressly waived, to the extent applicable. That Section reads as follows:

A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS THAT THE CREDITOR OR RELEASING PARTY DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE AND THAT, IF KNOWN BY HIM OR HER, WOULD HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR OR RELEASED PARTY.

18. COVENANTS

(A) Confidential Information. During and after the Term, you may not communicate, divulge, or use for any purpose other than the operation of your Restaurant any Confidential Information, knowledge, trade secrets or know-how which may be communicated to you or which you may learn by virtue of your relationship with us (“Confidential Information”). You may divulge Confidential Information only to your professional advisers and to your employees who must have access to the information to operate your Restaurant. All Confidential Information, relating to us, our business plans, or the System are deemed confidential for purposes of this Agreement, except information that you can demonstrate came to your attention by lawful means prior to our disclosure; or which, at the time of our disclosure to you, had become a part of the public domain. You must require your Operating Principal and key employees and any other person or entity you wish to disclose any Confidential Information to sign agreements, in a form acceptable to us, that they will maintain the confidentiality of the disclosed information. The agreements must identify us as a third-party beneficiary with the independent right to enforce the agreements.

(B) Restrictions. You acknowledge and agree that: (a) under to this Agreement, you will have access to the Confidential Information; (b) the System and the opportunities, associations and experience established by us and acquired by you under this Agreement are of substantial and material value; (c) in developing the System, we and our affiliates have made and continue to make substantial investments of time, technical and commercial research, and money; (d) we would be unable to adequately protect the System and the Confidential Information against unauthorized use or disclosure and would be unable to adequately encourage a free exchange of ideas and information among Restaurants if our franchisees were permitted to hold interests in “Competing Businesses” (which are defined as businesses that sell, distribute, manufacture, or license others to sell, distribute or manufacture hot dogs, sausages, burgers, fries, shakes,

and other foods and beverages including wine and beer where permitted by law on an eat-in or take out basis). You acknowledge that restrictions on your right to hold interests in or perform services for Competing Businesses will not hinder your activities. You and your owners expressly acknowledge that you possess skills and abilities of a general nature and have other opportunities for exploiting these skills. Consequently, our enforcing the restrictions contained in this Section will not deprive you of your personal goodwill or ability to earn a living.

(1) You therefore agree that, during the term of this Agreement and for the “Restricted Period” following the expiration or earlier termination of this Agreement, you and your owners will not, either directly or indirectly, for yourself, or through, on behalf of, or in conjunction with, any person, firm, partnership, corporation, limited liability company, or other entity:

(a) own, maintain, operate, engage in, franchise or license, advise, help, make loans to, or have any direct or indirect controlling or non-controlling interest as an owner (whether of record, beneficially, or otherwise) or be or perform services as a partner, director, officer, manager, employee, consultant, representative, or agent in any Competing Business.

(b) knowingly employ or seek to employ any person then employed by us or employed by any Restaurant franchisee as a manager or higher, or otherwise directly or indirectly induce such person to leave his or her employment without our prior written consent; or

(c) divert or attempt to divert, by direct or indirect inducement or otherwise, any actual or potential business or customer of any Restaurant to a Competing Business.

(2) For purposes of this Agreement, the term “Restricted Period” shall be two (2) years from the date the Franchise Agreement expires or is terminated; provided however, that if a court determines that such period is unenforceable, the Restricted Period shall end one (1) year from the date the Franchise Agreement expires or is terminated; provided however, that if a court determines that such period is unenforceable, the Restricted Period shall end six (6) months from the date the Franchise Agreement expires or is terminated.

(3) During the term of this Agreement, there is no geographical limitation on the restrictions contained in this Section ~~18(B)~~18(B). During the Restricted Period, these restrictions will apply at the Premises; within the Protected Area; within a 5-mile radius of the outer boundaries of the Protected Area; and within 5 miles of any other Restaurant in operation or under construction on the later of: (i) the date of the termination or expiration of this Agreement (the “Restricted Area”); or (ii) the date on which all persons restricted by Section ~~18(B)~~18(B) begin to comply with Section ~~18(B)~~18(B).

(4) If, at any time during the Restricted Period, you or your owners fail to comply with your obligations contained in this Section ~~18(B)~~18(B), that period of noncompliance will not be credited toward the satisfaction of your obligations under this Section ~~18(B)~~18(B). These restrictions also apply after Transfers, as provided in Section ~~16(B)(12)~~16(B)(12) above. Equity ownership of less than 2% of a Competing Business whose stock or other forms of ownership interest are publicly traded on a recognized United States stock exchange will not be deemed to violate this Section ~~18(B)~~18(B).

(5) If any restriction in this Section ~~18(B)~~18(B) is deemed unenforceable by virtue of its scope in terms of area, business activity prohibited, and/or length of time, but would be enforceable if modified, you and we agree that the covenant will be enforced to the fullest extent permissible under the laws and public policies applied in the jurisdiction whose law determines the covenant’s validity. Specifically, if any part of these restrictions is found to be unreasonable in time or distance, each month of

time or mile of distance may be deemed a separate unit so that the time or distance may be reduced by appropriate order of the court to that deemed reasonable.

(6) You agree to obtain similar covenants from the personnel and persons we specify, including your officers, directors, managers, and other employees who attend our training programs or have access to Confidential Information and your immediate family members (which include spouses and domestic partners and such other persons as we may specify following our review of your franchise application and proposed operations and ownership structure). We have the right to regulate the form of agreement that you use and to be a third-party beneficiary of that agreement with independent enforcement rights.

19. TERMINATION

(A) Termination by You. Franchisee may terminate this Franchise Agreement upon the material default by Franchisor of one or more provisions of this Franchise Agreement provided that the Franchisee provides written notice of the default to Franchisor along with no less than ninety (90) days to cure the default. If the default outlined in Franchisee's notice of default cannot be cured within ninety (90) days and Franchisor is making commercially reasonable efforts to cure the default, the cure period shall be extended for an additional ninety (90) days. If you terminate this Agreement, you must still comply with your post-termination obligations described in Section 2020 and all other obligations that survive the expiration or termination of this Agreement.

(B) Termination by Franchisor Without Cure Period. In addition to the grounds for termination that may be stated elsewhere in this Agreement, we may terminate this Agreement and the rights granted by this Agreement, upon written notice to you without an opportunity to cure upon the occurrence of any of the following events:

(1) You: (i) do not locate, and sign a Lease or acquisition document for, a site approved by us for the Premises; ~~or (ii) comply with the terms of Section 5 within 5 months of the Effective Date of this Agreement; or (ii) open your Restaurant for business within 12~~10 months of the Effective Date of this Agreement.

(2) you do not open your Restaurant within the time period prescribed in Section ~~6(D)~~6(D);

(3) you abandon or fail actively to operate your Restaurant for a period of three (3) or more consecutive days, unless you close your Restaurant for a purpose we approve in writing or because of Force Majeure, as defined in Section ~~25(C)~~25(C);

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

(5) there is a material breach by you of any covenant or obligation described in Section ~~18~~18;

(6) any Transfer that requires our prior written consent occurs without your having obtained that prior written consent.

(7) we discover that you made a material misrepresentation or omitted a material fact in the information that you provided to us in connection with our decision to grant a Franchise to you.

(8) you knowingly falsify any report required to be furnished to us; make any material misrepresentation in your dealings with us; or fail to disclose any material facts to us.

(9) if an incident occurs at your Restaurant that involves one of your employees and we discover that you did not conduct adequate due diligence and criminal background checks on that employee.

(10) we make a reasonable determination that continued operation of your Restaurant by you will result in an imminent danger to public health or safety.

(11) you lose the right to occupy the Premises.

(12) you, the Operating Principal, your General Manager, or any of your owners are convicted of, or plead no contest to, a felony charge, a crime involving moral turpitude, or any other crime or offense that is reasonably likely, in our sole opinion, to adversely affect us, our affiliates, the goodwill associated with the Marks, or the System.

(13) you, or your Operating Principal, your General Manager and/or any management personnel of your Restaurant do not satisfactorily complete the initial training program (after we provide a second opportunity as provided in Section ~~11(A)(2)~~11(A)(2)).

(14) your or any of your owners' assets, property, or interests are blocked under any law, ordinance, or regulation relating to terrorist activities, or you or any of your owners otherwise violate any such law, ordinance, or regulation; you or your owners: (a) remain in default beyond the applicable cure period under, or we terminate, any other agreement with us or our affiliates (provided that, if the default is not by you, we will provide to you written notice of the default and a 30-day period to cure the default); (b) remain in default beyond the applicable cure period under any real estate lease, equipment lease, or financing instrument relating to your Restaurant; (c) remain in default beyond the applicable cure period under any contract with any vendor or supplier to your Restaurant; or (d) fail to pay when due any taxes or assessments relating to your Restaurant or its employees, unless you are actively prosecuting or defending the claim or suit in a court of competent jurisdiction or by appropriate government administrative procedure or by arbitration or mediation conducted by a recognized alternative dispute resolution organization;

(15) you interfere with our relations with other franchisees or third parties, and/or negatively impact our ability to operate and/or grant franchises under our System.

(16) you materially breach any representation or warranty described in Section ~~30~~30;

(17) You fail to maintain all insurance policies required by Section ~~12(I)~~12(J) of this Agreement and/or you allow or communicate your intent to allow any policy of insurance required by this Agreement to expire, lapse, cancel or terminate; or

(18) If you have received two (2) or more notices of default within the previous 12-month period, we may send you a notice of termination upon your next default within that 12-month period without providing you with an opportunity to remedy the default.

(C) Termination Following Expiration of Cure Period

(1) Except for those items listed in preceding Section ~~19(B) or 19(C)(2)~~ 19(B) or 19(C)(2), you will have 30 days after written receipt of notice of default from us within which to remedy any default and provide evidence of that remedy to us. If any default is not cured within that time, this Agreement will terminate without further notice to you effective immediately upon expiration of that time, unless we notify you otherwise in writing. If the default cannot be corrected within 30 days, you will have such additional time to correct the default as reasonably required (not to exceed 90 days) provided that you promptly begin taking the actions necessary to correct the default during the 30-day cure period and diligently and in good faith pursue those actions to completion. You will be in default under this Section ~~19(C)(1)~~ 19(C)(1) for any failure to materially comply with any of the requirements imposed by this Agreement, the Manual or otherwise in writing, or to carry out the terms of this Agreement in good faith.

(2) Except the provisions of preceding Section ~~19(C)(1)~~ 19(C)(1), if you default in the payment of any monies owed to us or our affiliates when such monies become due and payable and you fail to pay such monies within ten (10) days after receiving written notice of default or immediately if payment has not been made within 30 days of its due date, then this Agreement will terminate effective immediately upon expiration of that time, unless we notify you otherwise in writing.

(3) Termination Following Inspection. We (or our designee) may periodically conduct inspections of your Restaurant to evaluate your compliance with the System and this Agreement. Following each Inspection, we will provide you with an Inspection report and Inspection score on the Inspection and those conditions at your Restaurant that must be rectified. If you fail to achieve a passing score on an Inspection, the Inspection report will constitute a notice of default. If you fail to achieve a passing score on the next Inspection (which we will conduct at least 30 days after your receipt of the Inspection report for the prior Inspection), we may terminate this Agreement, without opportunity to cure, by providing you with a written notice of termination along with the Inspection report.

(D) Termination Fee. In the event that we terminate this Agreement under this Section or other applicable provisions of this Agreement, we shall be entitled, in those states in which such termination fees are enforceable, to receive from you a termination fee in the amount equal to fifty percent (50%) of our then-current initial franchise fee for new Restaurants (the "Termination Fee"). The Termination Fee shall be payable by you in addition to any damages payable to us, including loss of future revenues, resulting from your improper or wrongful breach or other termination of this Agreement. We shall be entitled to recover all costs, including attorneys' fees, incurred in connection with the termination and collection of the Termination Fee.

20. OBLIGATIONS UPON TERMINATION OR EXPIRATION

(A) Your Obligations. Upon termination or expiration of this Agreement:

(1) The rights granted to you in the Protected Area will immediately terminate, and we will have the right to operate, or license others to operate, Restaurants anywhere in the Protected Area.

(2) You and your owners must continue to abide by the covenants in Section ~~18~~ 18;

(3) Within 15 days, or on any later date that we determine the amounts due to us, you must pay to us and our affiliates all sums due and owing to us and our affiliates.

(4) You must immediately discontinue all use of the Marks in connection with your Restaurant and of any and all items bearing the Marks; remove the Marks from your Restaurant and from clothing, signs, materials, motor vehicles and other items owned or used by you in the operation of your Restaurant; cancel all advertising for your Restaurant that contains the Marks; and take such action as may

be necessary to cancel any filings or registrations for your Restaurant that contain any Marks. You must comply with this Section ~~20(A)~~20(A), before any items bearing the Marks are offered for sale or auction by you or your Franchisors or lienholders.

(5) You must immediately cease using any of our Confidential Information (including the Computer Systems or similar technology and digital passwords and identifications that we have licensed or loaned to you or that otherwise are proprietary to us or the System) in any business or otherwise and return to us the Computer Systems, your client list, your telephone numbers, your email addresses, your social media pages, all copies of the Manual, and any other confidential materials that we have loaned you;

(6) Within 30 days, you must deliver to us all signs, sign-faces, sign-cabinets, marketing materials, forms, and other materials containing any Mark, or otherwise identifying or relating to a Restaurant that we request and allow us, without liability to you or third parties for trespass or any other claim, to enter the Premises and remove these items from Restaurant.

(7) You agree to promptly notify social media platforms, and internet service providers of the termination or expiration of your right to use any URLs and domain names, or other numbers, names associated with any Mark; to authorize the transfer of these listings to us or to a third party, at our direction; and/or to instruct the domain name registries and internet service providers to forward all calls, e-mails and electronic communications made to names, numbers or addresses we specify; and

(8) If we do not have or do not exercise an option to purchase the Assets of Restaurant under Section ~~21~~21 below, you agree promptly and at your own expense to make the alterations we specify in our Manual (or otherwise) to distinguish your Restaurant clearly from its former appearance and from other Restaurants in order to prevent public confusion. If you fail to promptly make these alterations and modifications, we will have the right (at your expense, to be paid upon your receipt of an invoice from us) to do so without being guilty of trespassing or other tort.

(B) Evidence of Compliance. You must furnish to us, within 30 days after the effective date of termination or expiration, evidence (certified to be true, complete, accurate and correct by you or by your if you are a corporation; by your manager, if you are a limited liability company; or by your general partner, if you are a partnership) satisfactory to us of your compliance with Sections ~~20(A)~~20(A).

(C) Prohibition from Engaging in Future Conduct. Upon termination or expiration of this Agreement and your satisfaction of the covenants described in Section ~~18~~18, you agree that you will not, except with respect to a business franchised by us or our affiliates which is then open and operating in accordance with an effective franchise agreement: (1) operate or do business under any name or in any manner that might tend to give the public the impression that you are connected in any way with us or our affiliates or have any right to use the System or the Marks; (2) make, use or avail yourself of any of the materials or Confidential Information furnished or disclosed by us or our affiliates under this Agreement or disclose or reveal any such materials or Confidential Information or any portion of those materials or Confidential Information to anyone else; or (3) assist anyone not licensed by us or our affiliates to construct or equip a business substantially similar to a Restaurant.

(D) Continuing Obligations. All of our and your (and your owners') obligations which expressly or by their nature survive this Agreement's expiration or termination will continue in full force and effect subsequent to the expiration or termination and until the obligations are satisfied in full or by their nature expire.

(E) No Exclusive Remedy. No right or remedy conferred upon or reserved to us in this Section ~~20~~20 is exclusive of any other right or remedy provided or permitted by law or equity.

21. OUR OPTION TO PURCHASE CERTAIN ASSETS OF YOUR RESTAURANT

(A) **Scope.** Upon the expiration or termination of this Agreement for any reason, we will provide written notice to you, within 30 days after the effective date of termination or expiration, if we intend to exercise our option to purchase from you some or all of the Assets. As used in this Agreement, the term “Assets” means and includes, without limitation, leasehold improvements, equipment, vehicles, furnishings, fixtures, signs, and inventory (non-perishable products, materials, and supplies) used in your Restaurant, real estate interests (including the fee simple rights or the Lease), and any licenses necessary to operate your Restaurant. We will have the unrestricted right to assign this option to purchase the Assets. We or our assignee will be entitled to all customary representations and warranties that the Assets are free and clear (or, if not, accurate and complete disclosure) as to: (1) ownership, condition and title; (2) liens and encumbrances; (3) environmental and hazardous substances; and (4) validity of contracts and liabilities inuring to us or affecting the Assets, whether contingent or otherwise.

(B) **Purchase Price.** The purchase price for the Assets (“Purchase Price”) will be their fair market value (or, for leased assets, the fair market value of your Lease), determined as of the effective date of purchase in a manner that accounts for customary depreciation and condition of the Assets; provided, however, that the Purchase Price will take into account the termination of this Agreement. Further, the Purchase Price for the Assets will not contain any factor or increment for any of the Marks, or other trademarks, service marks or commercial symbols used in connection with the operation of your Restaurant nor any goodwill or “going concern” value for your Restaurant. We may exclude from the Assets purchased in accordance with this Section any equipment, vehicles, furnishings, fixtures, signs, and inventory that are not approved as meeting then-current standards for a Restaurant or for which you cannot deliver a Bill of Sale in a form satisfactory to us.

(C) **Certified Appraisers.** If we and you are unable to agree on the fair market value of the Assets within 30 days after your receipt of our notice of our intent to exercise our option to purchase the Assets, the fair market value will be determined by two professionally certified appraisers, one selected by you and one selected by us. If the valuations set by the two appraisers differ by more than 10%, the two appraisers will select a third professionally certified appraiser who also will appraise the fair market value of the Assets. The average value set by the appraisers (whether two or three appraisers as the case may be) will be conclusive and will be the Purchase Price. The appraisers will be given full access to your Restaurant, the Premises, and your books and records during customary business hours to conduct the appraisal and will value the Assets to be purchased in accordance with the standards of this Section ~~24~~21. The appraisers’ fees and costs will be borne equally by you and us.

(D) **Exercise of Option.** Within 10 days after the Purchase Price has been determined, we may exercise our option to purchase the Assets by notifying you in writing (“Purchase Notice”). The Purchase Price will be paid in cash or cash equivalents at the closing of the purchase (“Closing”), which will take place no later than 60 days after the date of the Purchase Notice. For a period of 30 days after the date of the Purchase Notice (“Due Diligence Period”), we will have the right to conduct such investigations as we deem necessary and appropriate to determine: (1) the ownership, condition and title of the Assets; (2) liens and encumbrances on the Assets; (3) environmental and hazardous substances at or upon the Premises; and (4) the validity of contracts and liabilities inuring to us or affecting the Assets, whether contingent or otherwise. You will give us and our representatives access to your Restaurant and the Premises at all reasonable times for the purpose of conducting inspections of the Assets, provided that such access does not unreasonably interfere with your operations of your Restaurant. Prior to the end of the Due Diligence Period, we will notify you in writing of any objections that we have to any finding disclosed in any title search, lien search, survey, environmental assessment or inspection. If you cannot or elect not to correct any such title defect, environmental objection, defect in the working condition of the Assets or any other

objection, we will have the option to either accept the condition of the Assets as it exists or rescind our Purchase Notice, on or before the Closing.

(E) Premises Leased. If the Premises are leased, you agree to use reasonable efforts to effect a termination of the existing Lease for the Premises. If the Lease for the Premises is assigned to us or we sublease the Premises from you, we will indemnify and hold you harmless from any ongoing liability under the Lease from the date we assume possession of the Premises, and you will indemnify and hold us harmless from any liability under the Lease prior to and including that date.

(F) Premises Owned by You. If you own the Premises, we, at our option, may purchase the fee simple interest or, upon purchase of the other Assets, enter into a standard lease with you on terms comparable to those for which similar commercial properties in the Development Area are then being leased; or remove the Assets from the Premises in a manner consistent with the Lease Agreement. The initial term of the Lease between you and us under such circumstances must be at least 10 years with two (2) options to renew of 5 years each, and the rent must be the fair market rental value of the Premises. If you and we cannot agree on the fair market rental value of the Premises, then local real estate appraisers (selected in the manner described in Section ~~24(C)~~21(C)) will determine the rental value.

22. RELATIONSHIP OF THE PARTIES

(A) Relationship of the Parties. Franchisee and Franchisor agree and acknowledge that this Agreement is intended solely to create an independent contractor relationship between them. Nothing in this Agreement will be deemed or construed to create a joint venture, partnership, fiduciary, or agency relationship between Franchisor and Franchisee for any purpose. Except as otherwise explicitly set forth herein, Franchisor and Franchisee do not have any authority to bind or commit the other to any agreement, commitment, or obligation. Franchisor and Franchisee agree and acknowledge that Franchisee and only Franchisee shall possess and/or exercise substantial direct and immediate control over the essential terms and conditions of employment of Franchisee's employees. Franchisee is, subject to compliance with applicable local, state, and federal laws, solely responsible for: (1) setting the wages, benefits, and related compensation of Franchisee's employees; (2) setting the work schedules and hours requirements for Franchisee's employees; (3) assigning work duties to Franchisee's employees; (4) establishing, communicating, and enforcing rules, directions, means and methods of performance, and employee discipline to Franchisee's employees; (5) hiring and firing its employees; and (6) establishing and maintaining safety standards for Franchisee's employees. Franchisee shall defend, indemnify, and hold Franchisor harmless against any and all damages, costs, fees, expenses, settlements, payments, or liabilities incurred by Franchisor as a result of or in connection with claims, investigations, demands, suits, actions, inquiries, or allegations made by one or more of Franchisee's employees or by a governmental authority that Franchisor is, in any manner or for any purpose, a joint employer of one or more of Franchisee's employees.

(B) Taxes. We will have no liability for any sales, use, service, occupation, excise, gross receipts, income, property, or other taxes, whether levied upon you or your Restaurant, due to the business you conduct (except for our income taxes). You are responsible for paying these taxes and must reimburse us for any taxes that we must pay to any state taxing authority on account of either your operation or payments that you make to us.

23. INDEMNIFICATION

(A) You agree to indemnify, defend, and hold harmless us, our affiliates, and our and their respective shareholders, members, owners, directors, officers, employees, agents, successors, and assignees ("Indemnified Parties") against, and to reimburse any one or more of the Indemnified Parties for, all claims,

obligations, and damages directly or indirectly arising out of the operation of your Restaurant, the business you conduct under this Agreement, or your breach of this Agreement, including, without limitation, those claims alleged to be or found to have been caused by the Indemnified Party's negligence, unless (and then only to the extent that) the claims, obligations, or damages are determined to be caused solely by our gross negligence or willful misconduct in a final, unappealable ruling issued by a court with competent jurisdiction.

(B) For purposes of this Section 2323, "claims" include all obligations, damages (actual, consequential, or otherwise), and costs that any Indemnified Party reasonably incurs in defending any claim against it, including, without limitation, ~~reasonable~~ accountants', attorneys', and expert witness fees, costs of investigation and proof of facts, court costs, travel and living expenses, and other expenses of litigation or alternative dispute resolution, regardless of whether litigation or alternative dispute resolution is commenced. Each Indemnified Party may defend any claim against it at your expense and agree to settlements or take any other remedial, corrective, or other actions. We have the right to designate attorneys that you must retain to defend any claims subject to this Section 2323

(C) This indemnity will continue in full force and effect subsequent to the expiration or termination of this Agreement. An Indemnified Party need not seek recovery from any insurer or other third party, or otherwise mitigate its losses and expenses, in order to maintain and recover fully a claim against you under this Section 2323 You agree that a failure to pursue a recovery or mitigate a loss will not reduce or alter the amounts that an Indemnified Party may recover from you under this Section 2323

24. SEVERABILITY AND CONSTRUCTION

(A) Severability. Except as expressly provided to the contrary in this Agreement, each section, paragraph, term, and provision of this Agreement is severable, and if, for any reason, any part is held to be invalid or contrary to or in conflict with any applicable present or future law or regulation in a final, unappealable ruling issued by any court, agency, or tribunal with competent jurisdiction, that ruling will not impair the operation of, or otherwise affect, any other portions of this Agreement, which will continue to have full force and effect and bind the parties.

(B) Alteration to Agreement by Rule of Law. If any applicable and binding law or rule of any jurisdiction requires more notice than this Agreement requires of this Agreement's termination or some other action that this Agreement does not require, or if, under any applicable and binding law or rule of any jurisdiction, any provision of this Agreement or any System Standard is invalid, unenforceable, or unlawful, the notice and/or other action required by the law or rule will be substituted for the comparable provisions of this Agreement, and we may modify the invalid or unenforceable provision or System Standard to the extent required to be valid and enforceable or delete the unlawful provision in its entirety. You agree to be bound by any promise or covenant imposing the maximum duty the law permits which is subsumed within any provision of this Agreement, as though it were separately articulated in and made a part of this Agreement.

(C) No Third-Party Beneficiaries. Except as otherwise provided in Section 2323, nothing in this Agreement is intended, nor shall be deemed, to confer upon any person or legal entity other than us and you as the parties to this Agreement and our affiliates and such of our heirs, successors and assigns, any rights or remedies under or by reason of this Agreement.

(D) Interpretation. No provision of this Agreement should be interpreted in favor of, or against any party because of the party that drafted this Agreement.

(E) Our Discretion. Whenever we have expressly reserved in this Agreement a right and/or discretion to take or withhold an action, or to grant or decline to grant you a right to take or withhold an action, except as otherwise expressly and specifically provided in this Agreement, we may make such decision or exercise our right and/or discretion on the basis of our judgment of what is in our best interests. This also applies if we are deemed to have a right and/or discretion. Our judgment of what is in the best interests of the System, at the time our decision is made or its right or discretion is exercised, can be made without regard to whether: (1) other reasonable alternative decisions or actions, or even arguably preferable alternative decisions or actions, could have been made by us; (2) our decision or the action taken promotes our financial or other individual interest; (3) our decision or the action taken applies differently to you and one or more other franchisees or our company-owned or affiliate-owned operations; or (4) our decision or the action taken is adverse to your interests. We will have no liability to you for any such decision or action. We and you intend that the exercise of our right or discretion will not be subject to limitation or review. If applicable law implies a covenant of good faith and fair dealing in this Agreement, we and you agree that such covenant will not imply any rights or obligations that are inconsistent with a fair construction of the terms of this Agreement and that this Agreement grants us the right to make decisions, take actions and/or refrain from taking actions not inconsistent with your rights and obligations under this Agreement.

25. CONSENTS, APPROVALS AND WAIVERS

(A) Consents. Whenever this Agreement requires our prior approval or consent, you must make a timely written request to us for that approval or consent, and any approval or consent received, in order to be effective and binding upon us, must be obtained in writing and be signed by one of our authorized officers.

(B) Waivers. We and you may by written instrument unilaterally waive or reduce any obligation of or restriction upon the other under this Agreement, effective upon delivery of written notice to the other or another effective date stated in the notice of waiver. Any waiver granted will be without prejudice to any other rights we or you have, will be subject to continuing review, and may be revoked at any time and for any reason effective upon delivery of 10 days' prior written notice. We and you will not waive or impair any right, power, or option this Agreement reserves (including, without limitation, our right to demand exact compliance with every term, condition, and covenant or to declare any breach to be a default and to terminate this Agreement before the expiration of its term) because of: any custom or practice at variance with this Agreement's terms; our or your failure, refusal, or neglect to exercise any right under this Agreement or to insist upon the other's compliance with this Agreement, including, without limitation, any System Standard; our waiver of or failure to exercise any right, power, or option, whether of the same, similar, or different nature, with other Restaurants; the existence of agreements for other Restaurants which contain provisions different from those contained in this Agreement; or our acceptance of any payments due from you after any breach of this Agreement. No special or restrictive legend or endorsement on any check or similar item given to us will be a waiver, compromise, settlement, or accord and satisfaction.

(C) Variance by Reason of Force Majeure. If the performance of any obligation by any party under this Agreement is prevented, hindered, or delayed by reason of Force Majeure, which cannot be overcome by reasonable commercial measures, the parties will be relieved of their respective obligations (to the extent that the parties, having exercised best efforts, are prevented, hindered or delayed in such performance) during the period of such Force Majeure. The party whose performance is affected by an event of Force Majeure must give prompt written notice of such Force Majeure event to the other party by setting forth the nature of the Force Majeure and an estimate as to its duration. As used in this Agreement, the term "Force Majeure" means any act of God, strike, lock-out or other industrial disturbance, war (declared or undeclared), riot, epidemic, fire or other catastrophe, act of any government or other third party and any other cause not within the control of the party affected thereby. Your inability to obtain financing (regardless of the reason) may not constitute Force Majeure.

26. ENTIRE AGREEMENT. We and you acknowledge that each element of this Agreement is essential and material and that, except as otherwise provided in this Agreement, you and we will deal with each other in good faith. This Agreement and its attachments, the Manual, and the documents referred to in this Agreement constitute the entire, full, and complete agreement between the parties concerning your rights, and supersede any and all prior or contemporaneous negotiations, discussions, understandings, or agreements. There are no other representations, inducements, promises, agreements, arrangements, or undertakings, oral or written, between the parties relating to the matters covered by this Agreement other than those reflected in this Agreement and its attachments, the Manual, and the documents referred to in this Agreement (including our Franchise Disclosure Document). Nothing in this or any related agreement is intended to disclaim ~~the and express~~ representations ~~we~~ made in the ~~latest~~ franchise disclosure document, its exhibits and amendments that we furnished to you. No obligations or duties that contradict or are inconsistent with the express terms of this Agreement may be implied into this Agreement. Except as expressly reflected in this Agreement, no amendment, change or variance from this Agreement will be binding on either party unless mutually agreed to by you and us and executed in writing.

27. DISPUTE RESOLUTION

(A) Mediation. Before you or we may bring an action in court, against the other, you and we must first meet to mediate the dispute (except as otherwise provided below). Any such mediation will be non-binding and will be conducted by the American Arbitration Association in accordance with its then-current rules for mediation of commercial disputes. This Section ~~27(A)~~27(A) will not bar you or us from obtaining judicial or injunctive relief for claims that are based solely on demands for monies owed, or from obtaining injunctive relief against threatened conduct that will cause us loss or damages, under the usual equity rules, including the applicable rules for obtaining restraining orders and preliminary injunctions, without having to engage in mediation; including, without limitation, claims involving the Marks. The mediation proceeding will be conducted within 30 miles of our then-existing principal business location.

(B) Governing Law. Except to the extent governed by the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. Sections 1051 et seq.) or other federal law, this Agreement, the Franchise, and all claims arising from the relationship between you and us will be governed by the laws of the State of Arizona, without regard to its conflict of laws rules.

(C) Consent to Jurisdiction and Venue. We may file suit in the federal or state court located in the jurisdiction where our principal offices are located at the time suit is filed or in the jurisdiction where you reside or do business, where your Restaurant is or was located, or where the claim arose. You consent to the personal jurisdiction of those courts over you and to venue in those courts.

(D) Waiver of Certain Damages and Rights. You and we waive, to the fullest extent permitted by law, any right or claim of any punitive or exemplary damages against each other and agree that, in the event of a dispute between us, we each will be limited to the recovery of actual damages sustained. You and we waive, to the fullest extent permitted by law, the right to bring, or be a class member in, any class action suits and the right to trial by jury.

(E) Reimbursement of Costs and Expenses. If either party brings an action to enforce this Agreement in a judicial proceeding, the party prevailing in that proceeding will be entitled to reimbursement of costs and expenses, including, but not limited to, ~~reasonable~~ accountants', attorneys', attorneys' assistants' and expert witness fees, the cost of investigation and proof of facts, court costs, other litigation expenses, and travel and living expenses, whether incurred prior to, in preparation for, in contemplation of or subsequent to the filing of, the proceeding. If we utilize legal counsel (including in-house counsel employed by us) in connection with any failure by you to comply with this Agreement, you agree to

reimburse us for any of the above-listed costs and expenses incurred by us. In any judicial proceeding, the amount of these costs and expenses will be determined by the court and not by a jury.

(F) **Rights and Remedies Cumulative.** No right or remedy conferred upon or reserved to us or you by this Agreement is intended to be, nor shall be deemed, exclusive of any other right or remedy in this Agreement or by law or equity provided or permitted, but each shall be cumulative of every other right or remedy. The provisions of this Section ~~27~~27 shall survive the expiration or earlier termination of this Agreement.

(G) **Limitations of Claims.** Any and all claims and actions arising out of or relating to this Agreement, the relationship between you and us, or your operation of your Restaurant, must be brought or asserted before the expiration of the earlier of: (1) the time period for bringing an action under any applicable state or federal statute of limitations; (2) 1 year after the date upon which a party discovered, or should have discovered, the facts giving rise to an alleged claim; or (3) 2 years after the first act or omission giving rise to an alleged claim; or it is expressly acknowledged and agreed by all parties that such claims or actions will be irrevocably barred. Our claims attributable to underreporting of sales and claims of the parties for failure to pay monies owed and/or indemnification will be subject only to the applicable state or federal statute of limitations.

(H) **Injunctive Relief.** You recognize that your failure to comply with the terms of this Agreement, including, but not limited to, your failure to fully comply with all post-termination obligations, is likely to cause irreparable harm to us, our affiliates, and the System. Therefore, you agree that, in the event of a breach or threatened breach of any of the terms of this Agreement by you, we will be entitled to injunctive relief (both preliminary and permanent) restraining that breach and/or to specific performance without showing or proving actual damages and without posting any bond or security. Any equitable remedies sought by us will be in addition to, and not in lieu of, all remedies and rights that you otherwise may have arising under applicable law or by virtue of any breach of this Agreement.

28. MISCELLANEOUS

(A) **Gender and Number.** All references to gender and number will be construed to include such other gender and number as the context may require.

(B) **Captions.** All captions in this Agreement are intended solely for the convenience of the parties and none will be deemed to affect the meaning or construction of any provision of this Agreement.

(C) **Counterparts.** This Agreement may be executed in counterparts, and each copy so executed and delivered will be deemed an original.

(D) **Time.** Time is of the essence of this Agreement for each provision in which time is a factor. Whenever this Agreement refers to a period of days or months, the first day or month to be counted will be the day or month of the designated action, event, or notice. Days will be measured by calendar days, except that if the last day of a period is a Saturday, Sunday or national holiday, the period automatically will be extended to the next day that is not a Saturday, Sunday, or national holiday.

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

(F) Terrorist and Money Laundering Activities. Franchisee hereby represents and warrants to Franchisor that neither Franchisee, nor any of their affiliates or their respective equity owners, directors, officers, employees, representatives and agents (collectively, the “Included People”), (a) is identified, by name or an alias, pseudonym or nickname, on the lists of “Specially Designated Nationals” or “Blocked Persons” maintained by the U.S. Treasury Department’s Office of Foreign Assets Control (texts currently available at <https://ofac.treasury.gov>) or (b) has violated any law prohibiting corrupt business practices, money laundering or the aid or support of persons who conspire to commit acts of terror against any person or government, including acts prohibited by the U.S. Patriot Act (text —available at <https://archive.epic.org/privacy/terrorism/hr3162.html>), U.S. Executive Order 13224 (text currently available at <https://www.state.gov/executive-order-13224/>) or any similar law. Franchisee agrees that he will comply with and will cause the Included People to comply with all laws prohibiting corrupt business practices, money laundering or the aid or support of persons who conspire to commit acts of terror against any person or government. Franchisee further agrees that he will immediately notify Franchisor of the occurrence of any event, or the development of any circumstances that might render any of the foregoing representations or warranties to be false, inaccurate, or misleading. Any violation of the Anti-Terrorism Laws by you or your owners, or any blocking of your or your owners’ assets under the Anti-Terrorism Laws, will constitute good cause for immediate termination of this Agreement, as provided in Section ~~19(B)(14)~~19(B)(14) above.

29. NOTICES AND PAYMENTS. No notice, demand, request or other communication to the parties will be binding upon the parties unless the notice is in writing, refers specifically to this Agreement and: (A) if to us, is sent to 8687 E. Via de Ventura #113, Scottsdale, Arizona 85258 (Attn: Legal Department); or (B) if to you, is sent to the address and to the individual specified on Exhibit 2 or is sent to the Premises of your Restaurant. Any party may designate a new address for notices by giving written notice of the new address as described in this Section. Notices will be effective upon receipt (or first refusal of delivery) and may be: (1) delivered personally; (2) transmitted by facsimile or electronic mail to the e-mail address(es) or number(s) described above (or in Exhibit 2) with electronic confirmation of receipt; (3) mailed in the United States mail, postage prepaid, certified mail, return receipt requested; or (4) mailed via overnight courier.

30. ACKNOWLEDGMENTS. You represent, acknowledge, and warrant to us (and you agree that these representations, acknowledgements, and warranties will survive termination of this Agreement) that:

(A) you have independently investigated the Restaurant franchise opportunity and recognize that, like any other business, the nature of the business of Restaurants may, and probably will, evolve and change over time.

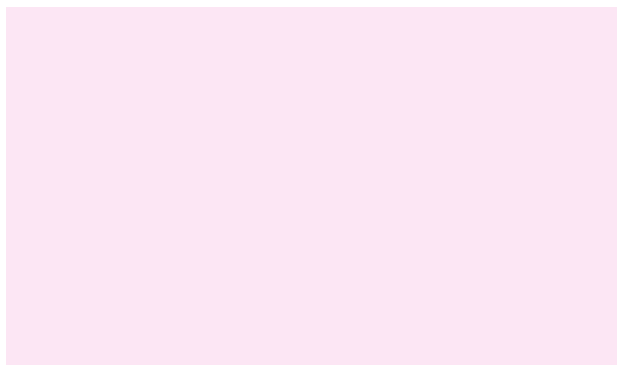
(B) an investment in a Restaurant involves business risks that could result in the loss of a significant portion or all of your investment.

(C) your business abilities and efforts are vital to your success.

(D) attracting customers for your Restaurant will require you to make consistent marketing efforts in your community through various methods, including median Advertising, direct mail advertising, and display and use of in-store promotional materials.

(E) you must maintain a high level of customer service and adhere strictly to the System and our System Standards, and that you are committed to maintaining System Standards.

(F) you have not received from us or any person or entity representing or claiming to represent us, any representations or guarantees, express or implied, as to the potential volume, sales, income, or



Frank and Furter's

04/12/2012

Exhibit 1 [Franchise Information-Site Selection Area](#)

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10271143v7/41822-0004

SITE SELECTION AREA

Your rights in the Site Selection Area are subject to the limitations described in Section ~~5(A)~~5(A) of the Franchise Agreement. Any boundaries contained in the description of the Site Selection Area will be considered fixed as of the Effective Date and shall not change notwithstanding a change in those boundaries.

FRANCHISEE

Frankfurters Franchising LLC

Initials: _____

Initials: _____

PROTECTED AREA

Your rights in the Protected Area are subject to the limitations described in Section ~~3(A) and 3(C)~~3(A) and 3(C) Any boundaries contained in the description of the Protected Area will be considered fixed as of the date that you execute a Lease.

[\[Map Here\]](#)

Franchisee’s Protected Area is depicted in the map above.

FRANCHISEE

Frankfurters Franchising LLC

Initials: _____

Initials: _____

EXHIBIT 2

LISTING OF OWNERSHIP INTERESTS

Effective Date: This Exhibit 2 is current and complete as of _____

1. ~~1.~~ Form of Ownership.

(a) Individual Proprietorship. Your owner(s) (is) (are) as follows:

(b) Corporation, Limited Liability Company, or Partnership. You were incorporated or formed on _____ under the laws of the State of _____. The following is a list of your directors, if applicable, and officers as of the Effective Date shown above:

Name of Each Director/Officer	Position(s) Held
_____	_____
_____	_____

2. Owners. The following list includes the full name of each person who is one of your owners (as defined in the Franchise Agreement), or an owner of one of your owners, and fully describes the nature of each owner's interest (attach additional pages if necessary).

Owner's Name	Percentage/Description of Interest
_____	_____
_____	_____

3. Contact Information of Person to Receive Notice for You

Email Address: _____
Phone Number(s): _____

4. Operating Principal. Your Operating Principal is: _____

5. General Manager. If applicable, your General Manager is _____

FRANCHISEE

By: _____

Title: _____

Date: _____

EXHIBIT 3
AGREEMENT TO BE BOUND AND TO GUARANTEE

This Agreement to Be Bound and to Guarantee (**Agreement**), dated as of the date stated at the end of this Agreement, executed by the guarantors identified in Section 19 of this Agreement (each a “**Guarantor**”) in favor of **Frankfurters Franchising LLC**, doing business as **Frank & Furter’s** (“**Franchisor**”).

WHEREAS, as an inducement for Franchisor to execute and deliver, and to perform its obligations under, that certain Franchise Agreement (“**Franchise Agreement**”), dated as of the date stated in Section 19 of this Agreement, by and between Franchisor and the Franchisee identified in Section 19 of this Agreement (“**Franchisee**”), Guarantor has agreed to jointly and severally guarantee the obligations of Franchisee to Franchisor and its affiliates (including, without limitation, obligations under the Franchise Agreement (and the assignment of concession agreement, if applicable) executed in connection therewith) and to be bound by certain of the provisions contained in the Franchisee Agreement.

WHEREAS, Guarantor owns, directly or indirectly, a 20% or greater equity interest in Franchisee.

WHEREAS, Guarantor acknowledges and agrees that Franchisor will materially rely upon Guarantor’s obligations under this Agreement.

NOW, THEREFORE, in consideration of the foregoing and the execution and delivery of the Franchisee Agreement by Franchisor, and the performance of Franchisor’s obligations thereunder, Guarantor agrees, for the benefit of Franchisor and its affiliates, as follows:

1. Guaranty. Guarantor unconditionally guarantees and promises to pay to Franchisor and/or its affiliates and to perform, for the benefit of Franchisor and/or its affiliates, on demand, any and all obligations and liabilities of Franchisee in connection with, with respect to or arising out of the Franchisee Agreement as well as any other agreements executed by Franchisee in conjunction with the Franchisee Agreement, if applicable, executed in connection therewith and/or any other agreement with Franchisor or its affiliates.

2. Confidentiality.

(A) Guarantor acknowledges that Franchisor is engaged in a highly competitive business, the success of which is dependent upon, among other things, trade secrets and other confidential and proprietary information, processes, materials and rights relating to the development, promotion and operation of the Restaurant (as defined in the Franchisee Agreement), including, without limitation, Franchisor’s Manual, method of operation, processes, techniques, formulae and procedures (collectively, the “Proprietary Information”). Guarantor further acknowledges that the Proprietary Information constitutes valuable trade secrets.

(B) Guarantor agrees not to use for any purpose or disclose or reveal (and must cause all of Franchisee’s directors, officers, and employees not to use for any purpose, or disclose or reveal), during the term of this Agreement or forever thereafter, to any person any contents of Franchisor’s Manual, any Proprietary Information or any other information relating to the operation of the Restaurant. Guarantor must fully and strictly comply with all security measures prescribed by Franchisor for maintaining the confidentiality of all Proprietary Information.

(C) Guarantor acknowledges that to breach her or her obligations under this Section 22 would cause damage to Franchisor and to Franchisor’s other franchisees and that Guarantor would be liable for this damage.

(D) Guarantor may disclose Proprietary Information to a person who is bound by the confidentiality obligations to Franchisor and the covenants contemplated by Section ~~18~~18 of the Franchise Agreement, to the extent that that disclosure is necessary in connection with that person's capacity with Franchisee.

(E) The following will not be subject to the provisions of this Section 22

(1) Information which is in the public domain as of the date of receipt by Franchisee.

(2) Information which is known to Franchisee prior to the date of receipt by Franchisee.

(3) Information which becomes known to the public without a breach of the provisions of this Section 2 of the Agreement or any other agreement executed in connection with the Franchise Agreement; and

(4) Information which is required by law to be disclosed or revealed, but only strictly to the extent required by law.

3. Covenant Not to Compete. Guarantor acknowledges and agree that: (1) under to this Agreement, you will have access to the Confidential Information; (2) the System and the opportunities, associations and experience established by us and acquired by you under this Agreement are of substantial and material value; (3) in developing the System, we and our affiliates have made and continue to make substantial investments of time, technical and commercial research, and money; (4) we would be unable to adequately protect the System and the Confidential Information against unauthorized use or disclosure and would be unable to adequately encourage a free exchange of ideas and information among Restaurants if our franchisees were permitted to hold interests in "Competing Businesses" (which are defined as businesses that operate restaurants that offer hot dogs, sausages, burgers, and fries, and shakes, as well as wine and beer, on an eat-in or take out basis). Guarantor acknowledges that restrictions on his/her right to hold interests in or perform services for Competing Businesses will not hinder his/her activities. Guarantor expressly acknowledges that he/she possesses skills and abilities of a general nature and has other opportunities for exploiting these skills. Consequently, our enforcing the restrictions contained in this Section will not deprive Guarantor of the ability to earn a living. Guarantor therefore agrees that, during the term of the Franchise Agreement and for the "Restricted Period" following the expiration or earlier termination of this Agreement, Guarantor will not, either directly or indirectly, for yourself, or through, on behalf of, or in conjunction with, any person, firm, partnership, corporation, limited liability company, or other entity:

(A) own, maintain, operate, engage in, franchise or license, advise, help, make loans to, or have any direct or indirect controlling or non-controlling interest as an owner (whether of record, beneficially, or otherwise) or be or perform services as a partner, director, officer, manager, employee, consultant, representative, or agent in any Competing Business.

(B) divert or attempt to divert, by direct or indirect inducement or otherwise, any actual or potential business or customer of any Restaurant to a Competing Business.

(C) For purposes of this Agreement, the term "Restricted Period" shall be two (2) years from the date the Franchise Agreement expires or is terminated; provided however, that if a court determines that such period is unenforceable, the Restricted Period shall end one (1) year from the date the Franchise Agreement expires or is terminated; provided however, that if a court determines that such period is

unenforceable, the Restricted Period shall end six (6) months from the date the Franchise Agreement expires or is terminated.;

(D) During the term of the Franchise Agreement, there is no geographical limitation on the restrictions contained in this Section 3.3. During the Restricted Period, these restrictions will apply at the Premises; within the Protected Area; within a 5-mile radius of the outer boundaries of the Protected Area; and within 5 miles of any other Restaurant in operation or under construction on the later of: (i) the date of the termination or expiration of this Agreement; or (ii) the date on which you begin to comply with Section 3.3 (the "Restricted Area");

(E) If, at any time during the Restricted Period, you fail to comply with your obligations contained in this Section 3.3, that period of noncompliance will not be credited toward the satisfaction of your obligations under this Section 3.3. These restrictions also apply after Transfers, as provided in the Franchise Agreement. Equity ownership of less than 2% of a Competing Business whose stock or other forms of ownership interest are publicly traded on a recognized United States stock exchange will not be deemed to violate this Section 3.3; or

(F) If any restriction in this Section 3.3 is deemed unenforceable by virtue of its scope in terms of area, business activity prohibited, and/or length of time, but would be enforceable if modified, you and we agree that the covenant will be enforced to the fullest extent permissible under the laws and public policies applied in the jurisdiction whose law determines the covenant's validity. Specifically, if any part of these restrictions is found to be unreasonable in time or distance, each month of time or mile of distance may be deemed a separate unit so that the time or distance may be reduced by appropriate order of the court to that deemed reasonable.

4. Restriction on Hiring. Guarantor may not, during the term of this Agreement and for the one-year period after the expiration or termination of this Agreement for any reason, directly or indirectly (as an owner, partner, director, officer, employee, manager, consultant, shareholder, representative, agent, Franchisor or otherwise), employ, hire or engage as an independent contractor or otherwise any person who is or was (at any time during the term of this Agreement) employed or engaged as an independent contractor or otherwise by Franchisor or any of its affiliates.

5. Use of Name and Likeness. Franchisor will be entitled to use the name, likeness, and voice of Guarantor for purposes of promoting the franchise, Franchisor, and its products, including, without limitation, all photos and audio and video recordings, and Guarantor hereby irrevocably consents. Guarantor acknowledges that Franchisor will own all right, title and interest, to the extent allowed by law, in all rights of integrity, disclosure and publication and any other rights that may be known as or referred to as moral rights, artist's rights, publicity rights or the like associated with such photos and audio and video recordings and assigns and transfers unto Franchisor the full and exclusive right, title, and interest to such publicity rights.

6. Innovations. Guarantor may conceive, invent, create, design and/or develop various ideas, techniques, methods, processes and procedures, recipes, formulae, products, packaging or other concepts and features relating to the manufacturing, production, marketing, and sale of hot dogs, sausages, burgers, fries, shakes, and other foods and beverages including wine and beer where permitted by law on an eat-in or take out basis in connection with the Restaurant (the "Innovations"). Guarantor assigns any and all of its rights, title, and interest in the Innovations, including, without limitation, any intellectual property rights, to Franchisor, and also agrees to cooperate with Franchisor and its counsel in the protection of the Innovations, including, without limitation, the perfecting of title.

7. Copyrights; Works-for-Hire; Solicitation. All advertising and promotional materials generated by or for Franchisee or its officers, managers or employees for the Restaurant will be deemed a work-made-for-hire, and all ownership rights, including, without limitation, any copyrights, in such advertising and promotional materials are hereby assigned to Franchisor. In addition, Guarantor will cooperate in the protecting any items or materials suitable for copyright protection by Franchisor. Guarantor must not solicit other franchisees or Franchisees, or use the lists of franchisees and Franchisees, for any commercial or other purpose other than purposes directly related to the operation of the Restaurant.

8. Guaranty of Payment. This is a guaranty of payment and not of collection. This Agreement will remain in full force and effect until all amounts payable by Guarantor shall have been validly, finally, and irrevocably paid in full and all obligations to be performed by Guarantor shall have been validly, finally, and irrevocably performed in full.

9. Waiver. Guarantor waives: (a) Any right to require Franchisor to (i) proceed against any other person; (ii) proceed against or exhaust any security; or (iii) pursue any other remedy. Franchisor may exercise or not exercise any right or remedy it has against Franchisee or any security it holds (including the right to foreclose by judicial or non-judicial sale) without affecting Guarantor's liability hereunder; (b) any defenses from disability or other defense of Franchisee or from the cessation Franchisee's liabilities; (c) any setoff, defense or counterclaim against Franchisor; (d) any defense from the absence, impairment or loss of any right of reimbursement or subrogation or any other rights against Franchisee. Until Franchisee's obligations (except inchoate indemnification obligations) to Franchisor have been paid in full, Guarantor has no right of subrogation or reimbursement or other rights against Franchisee; (e) Any right to enforce any remedy that Franchisor has against Franchisee; (f) any rights to participate in any security held by Franchisor' (g) any demands for performance, notices of nonperformance or of new or additional indebtedness incurred by Franchisee to Franchisor. Guarantor is responsible for being and keeping itself informed of Franchisee's financial condition; (h) the benefit of any act or omission by Franchisor which directly or indirectly results in or aids the discharge of Franchisee from any of the obligations by operation of law or otherwise; (i) the benefit of California Civil Code Section 2815 permitting the revocation of this Guaranty as to future transactions and the benefit of California Civil Code Sections 2809, 2810, 2819, 2839, 2845, 2848, 2849, 2850, 2899 and 1432 with respect to certain suretyship defenses.

10. Subrogation. Guarantor hereby agrees that he will not exercise any rights of subrogation which he may acquire due to any payment or performance of the obligations of Franchisee as stated in this Agreement unless and until all amounts payable to Franchisor or its affiliates, and all obligations for the benefit of Franchisor or its affiliates, shall have been validly, finally, and irrevocably paid and performed in full.

11. Reasonable Restraints; Remedies. Guarantor acknowledges that the covenants contained in this Agreement (including, without limitation, the territorial and time restraints) are reasonable and necessary and agrees that her failure to adhere strictly to the restrictions contained will cause substantial and irreparable damage to Franchisor, Franchisee and to Franchisor's other franchisees. In the event of any breach by Guarantor of any of the terms of this Agreement, Franchisor and/or Franchisee will be entitled to institute and prosecute proceedings, at law or in equity, in any court of competent jurisdiction, to obtain an injunction to enforce the provisions of this Agreement and to pursue any other remedy to which Franchisor and/or Franchisee may be entitled. Guarantor agrees that the rights conveyed by this Agreement are of a unique and special nature and that Franchisor's and Franchisee's remedy at law for any breach would be inadequate and agrees and consents that temporary or permanent injunctive relief may be granted in any proceeding which may be brought to enforce any provision hereof, without the necessity of posting bond therefor or proof of actual damages.

12. Enforceability. If the scope of any restriction contained in this Agreement is too broad to permit the enforcement of such restriction to its fullest extent, then such restriction will be enforced to the

maximum extent permitted by law, and Guarantor hereby consents and agrees that such scope may be judicially limited or modified accordingly in any proceeding brought to enforce such restriction. Each covenant contained in this Agreement is independent and severable and, to the extent that any such covenant shall be declared by a court of competent jurisdiction to be illegal, invalid, or unenforceable, such declaration will not affect the legality, validity or enforceability of any other provision stated or the legality, validity, or enforceability of such covenant in any other jurisdiction.

13. No Waiver. No failure or delay on the part of Franchisor or its affiliates in exercising its rights hereunder will operate as a waiver of, or impair, any such right. No single or partial exercise of any such right will preclude any other or further exercise thereof or the exercise of any other right. No waiver of any such right will be effective unless given in writing, specifying with particularity the nature of the waiver. No waiver of any such right will be deemed a waiver of any other right hereunder. The rights provided for are cumulative and are not exclusive of any other rights, powers, privileges, or remedies provided by law.

14. Attorneys' Fees. Guarantor will pay ~~reasonable~~ attorneys' fees and expenses and all other costs and expenses that may be incurred by Franchisor or its affiliates in connection with enforcing this Agreement.

15. Arizona Law to Govern; Jurisdiction; Right to Jury Trial and Class Action Waived; Certain Damages Waived; Statute of Limitations.

(A) This Agreement will be governed by, and construed and enforced in accordance with, the law of Arizona, regardless of any conflict-of-law provisions to the contrary. Each party agrees that any litigation between the parties will be commenced and maintained only in the courts located in Maricopa County, Arizona, and each party consents to the jurisdiction of those courts; provided, however, that Franchisor may seek to obtain injunctive relief in any court that Franchisor may select.

(B) GUARANTOR HEREBY WAIVES THE RIGHT TO A JURY TRIAL, WAIVES THE RIGHT TO INITIATE OR PARTICIPATE IN A CLASS ACTION IN ANY FORUM, INCLUDING, WITHOUT LIMITATION, ARBITRATION, AND WAIVES THE RIGHT TO SEEK OR COLLECT PUNITIVE, CONSEQUENTIAL AND SPECIAL DAMAGES IN ANY FORUM, INCLUDING, WITHOUT LIMITATION, ARBITRATION. NOTWITHSTANDING ANYTHING CONTAINED IN THIS AGREEMENT TO THE CONTRARY, GUARANTOR AGREES THAT ANY CLAIMS UNDER, ARISING OUT OF OR RELATED TO THIS AGREEMENT MUST BE BROUGHT WITHIN TWO YEARS OF THE DATE ON WHICH THE UNDERLYING CAUSE OF ACTION ACCRUED, AND GUARANTOR HEREBY WAIVES ANY RIGHT TO BRING ANY SUCH ACTION AFTER SUCH TWO-YEAR PERIOD.

16. Binding Nature of Agreement. This Agreement will be binding upon Guarantor and her respective successors, heirs and assigns and will inure to the benefit of Franchisor, its affiliates and their respective successors and assigns.

17. Joint and Several. If more than one person signs this Agreement as a Guarantor, her, her, or its obligation will be joint and several.

18. Entire Agreement; Amendment. This Agreement contains the entire agreement and understanding between the parties with respect to the subject matter hereof, and supersedes all prior and contemporaneous agreements, understandings, inducements, and conditions, express or implied, oral, or written, of any nature whatsoever with respect to the subject matter hereof. The express terms hereof control and supersede any course of performance or usage of the trade inconsistent with any of the terms hereof. This Agreement may not be modified or amended other than by an agreement in writing signed by each of the parties. The

provisions of Section ~~17~~17 are not intended to, nor will they act as a release, estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.

[SIGNATURES ON FOLLOWING PAGE]

SIGNATURE PAGE

Date of Franchisee Agreement: _____

Printed Name(s) of Guarantor(s): _____

Name of Franchisee: _____

GUARANTORS

By: _____ By: _____

Date: _____ Date: _____

EXHIBIT 4

AUTHORIZATION AGREEMENT FOR PREARRANGED PAYMENTS AND CREDITS

(Name of Person or Legal Entity)
(ID Number)

The undersigned depositor (“Depositor” or “Business”) hereby authorizes FRANKNFURTERS FRANCHISING LLC (“Franchisor”) to initiate debit entries and/or credit correction entries to the undersigned’s checking and/or savings account(s) indicated below, and the depository designated below (“Depository” or “Bank”) to debit or credit such account(s) according to Franchisor’s instructions. A voided check to the Depositor’s account must be included with this EDTA form.

_____ Depository	_____ Branch	
_____ City	_____ State	_____ Zip Code
_____ Bank Transit/ABA Number	_____ Account Number	

This authority is to remain in full force and effect until 60 days after Franchisor has received written notification from Business of its termination or expiration.

Depositor

Date: _____

Attach a voided check to Depositor’s account here

EXHIBIT 5 TO FRANCHISE AGREEMENT

ADDENDA TO FRANCHISE AGREEMENT REQUIRED BY ~~SEVERAL~~ VARIOUS STATES

ADDENDUM TO FRANCHISE AGREEMENT

**REQUIRED FOR CALIFORNIA, ILLINOIS, INDIANA, MARYLAND, MICHIGAN, VIRGINIA,
AND WISCONSIN FRANCHISEES**

This Addendum to Frank & Furter’s Franchise Agreement dated _____ (“Franchise Agreement”) between FRANKNFURTERS FRANCHISING LLC and _____ (“you”) is entered into simultaneously with the execution of the Franchise Agreement.

1. **No Waiver of Disclaimer of Reliance in Certain States.** The following provision applies only to franchisees and franchises that are subject to the state franchise disclosure laws in California, Illinois, Indiana, Maryland, Michigan, North Dakota, Virginia, or Wisconsin:

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 any other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

2. Any capitalized term that is not defined in this Addendum shall have the meaning given it in the Franchise Agreement.

3. Except as expressly modified by this Addendum, the Franchise Agreement remains unmodified and in full force and effect.

IN WITNESS WHEREOF, the parties have executed and delivered this Agreement on the dates noted below, to be effective as of the Effective Date.

FRANCHISOR:

FRANCHISEE:

FRANKNFURTERS FRANCHISING LLC

By: _____

By: _____

Name: _____

Name: _____

Title _____

Title _____

Date _____

Date _____

**ADDENDUM TO FRANCHISE AGREEMENT
REQUIRED FOR ILLINOIS FRANCHISEES**

This Addendum to Frank & Furter’s Franchise Agreement dated _____ (“**Franchise Agreement**”) between FRANKNFURTERS FRANCHISING LLC and _____ (“**you**”) is entered into simultaneously with the execution of the Franchise Agreement.

1. The provisions of this Addendum form an integral part of and are incorporated into the Franchise Agreement. This Addendum is being executed because: (A) the offer or sale of the franchise to you was made in the State of Illinois; (B) you are a resident of the State of Illinois; and/or (C) the Restaurant will be located or operated in the State of Illinois.

2. The following sentence is added at the end of Section ~~27(B)~~27(B) of the Franchise Agreement:

Notwithstanding the foregoing, Illinois law shall govern this Agreement.

3. The following sentence is added to the end of Section ~~27(C)~~27(C) of the Franchise Agreement:

The Illinois Franchise Disclosure Act provides that any provision in the Franchise Agreement that designates jurisdiction or venue in a forum outside of Illinois is void with respect to any action which is otherwise enforceable in Illinois. However, a franchise agreement may provide for arbitration in a venue outside of Illinois.

4. The following sentence is added at the end of Section ~~27(G)~~27(G) of the Franchise Agreement:

Section 27 of the Illinois Franchise Disclosure Act provides that causes of action under the Act must be brought within the earlier of: 3 years of the violation, 1 year after the franchisee becomes aware of the underlying facts or circumstances or 90 days after delivery to the franchisee of a written notice disclosing the violation.

5. The following sentence is added as a new Section 31 of the Franchise Agreement:

Section 41 of the Illinois Franchise Disclosure Act provides that any condition, stipulation, or provision purporting to bind any person acquiring any franchise to waive compliance with the Illinois Franchise Disclosure Act or any other law of Illinois is void.

6. Your rights upon termination and non-renewal of a Franchise Agreement are set forth in Sections 19 and 20 of the Illinois Franchise Disclosure Act.

7. ~~Any capitalized term that is not defined in this Addendum shall have the meaning given it in the Franchise Agreement.~~ No statement, questionnaire or acknowledgement signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of: (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on behalf of the Franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

8. ~~Except as expressly modified by this Addendum, the Franchise Agreement remains unmodified and in full force and effect.~~

IN WITNESS WHEREOF, the parties have executed and delivered this Agreement on the dates noted below, to be effective as of the Effective Date.

FRANCHISOR:

FRANCHISEE:

FRANKNFURTERS FRANCHISING LLC

By: _____

By: _____

Name: _____

Name: _____

Title _____

Title _____

Date _____

Date _____

**ADDENDUM TO FRANCHISE AGREEMENT
REQUIRED FOR MARYLAND FRANCHISEES**

This Addendum to Frank & Furter’s Franchise Agreement dated _____ (“**Franchise Agreement**”) between FRANKNFURTERS FRANCHISING LLC and _____ (“**you**”) is entered into simultaneously with the execution of the Franchise Agreement.

1. The provisions of this Addendum form an integral part of and are incorporated into the Franchise Agreement. This Addendum is being executed because: (A) the offer or sale of a franchise to you was made in the State of Maryland; (B) you are a resident of the State of Maryland; and/or (C) the Restaurant will be located or operated in the State of Maryland.

2. The following sentence is added to Section 7(A) of the Franchise Agreement:

Based upon the franchisor's financial condition, the Maryland Securities Commissioner has required financial assurance. Therefore, all initial fees and payments owed by franchisees shall be deferred until the franchisor completes its pre-opening obligations under the franchise agreement. In addition, all development fees and initial payments by area developers shall be deferred until the first franchise under the development agreement opens.

3. ~~2.~~The following sentence is added to the end of Sections ~~16(B)(9) and 17~~16(B)(9) and 17 of the Franchise Agreement:

All representations requiring you to assent to a release, estoppel or waiver of liability are not intended to nor shall they act as a release, estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.

4. ~~3.~~The following sentence is added to the end of Sections ~~19(B)(4)~~19(B)(4) of the Franchise Agreement:

Notwithstanding the foregoing, termination upon insolvency might not be enforceable under federal insolvency law (11 U.S.C. Sections 101 et seq.), but we and you agree to enforce this provision to the maximum extent the law allows.

5. ~~4.~~The following sentence is added to the end of Section ~~27(B)~~27(B) of the Franchise Agreement:

Notwithstanding the foregoing, Maryland law will apply to claims arising under the Maryland Franchise Registration and Disclosure Law.

6. ~~5.~~The following sentence is added to the end of Section ~~27(C)~~27(C) of the Franchise Agreement:

Notwithstanding the foregoing, you may bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.

7. ~~6.~~The following sentence is added to the end of Section ~~27(G)~~27(G) of the Franchise Agreement:

This limitation of claims provision shall not act to reduce the 3 year statute of limitations afforded a franchisee for bringing a claim arising under the Maryland Franchise Registration and Disclosure Law, which claim must be brought within 3 years after the grant of the franchise.

8. ~~7.~~The following sentence is added to the end of Section ~~27(D)~~27(D) of the Franchise Agreement:

Section 14-226 of the Maryland Franchise Registration and Disclosure Law prohibits a franchisor from requiring a prospective franchisee to assent to any release, estoppel, or waiver of liability as a condition of purchasing a franchise. Representations in this Agreement are not intended to, nor shall they act as a release, estoppel, or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.

9. Section 30 of the Franchise Agreement is deleted in its entirety.

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

11. ~~8.~~Any capitalized term that is not defined in this Addendum shall have the meaning given it in the Franchise Agreement.

12. ~~9.~~Except as expressly modified by this Addendum, the Franchise Agreement remains unmodified and in full force and effect.

IN WITNESS WHEREOF, the parties have executed and delivered this Agreement on the dates noted below, to be effective as of the Effective Date.

FRANCHISOR:

FRANCHISEE:

FRANKNFURTERS FRANCHISING LLC

By: _____

By: _____

Name: _____

Name: _____

Title _____

Title _____

Date _____

Date _____

**ADDENDUM TO FRANCHISE AGREEMENT
REQUIRED FOR MINNESOTA FRANCHISEES**

This Addendum to Franchise Agreement dated _____ (“Franchise Agreement”) between Squeeze Franchising LLC (“Squeeze Franchising”) and _____ (“You”) is entered into simultaneously with the execution of the Franchise Agreement.

1. The provisions of this Addendum form an integral part of, and are incorporated into, the Franchise Agreement. This Addendum is being executed because: (A) the offer or sale of a franchise to you was made in the State of Minnesota; (B) you are a resident of the State of Minnesota; and/or (C) the Squeeze Shop will be located or operated in the State of Minnesota.

2. The following sentence is added to the end of Section ~~17~~17

Notwithstanding the foregoing, you will not be required to assent to a release, assignment, novation, or waiver that would relieve any person from liability imposed by Minnesota Statute §§ 80C.01 - 80C.22.

3. The following sentence is added to the end of Section ~~4(B)~~4(B):

With respect to franchises governed by Minnesota law, we will comply with Minnesota Statute § 80C.14, Subdivision 3, 4, and 5 which requires, except in certain cases, that a franchisee be given 180 days’ notice for non-renewal of the Franchise Agreement.

4. The following sentence is added to the end of Section ~~13~~13:

Notwithstanding the foregoing, we will indemnify you against liability to a third party resulting from claims that your use of a Mark infringes trademark rights of a third party; provided that we will not indemnify against the consequences of your use of the Marks unless the use is in accordance with the requirements of this Agreement and the System.

5. The following sentence is added as Section 19(E):

(D) With respect to franchises governed by Minnesota law, we will comply with Minnesota Statute §80C.14, Subdivision 3, 4, and 5 which requires, except in certain cases, that you be given 90 days’ notice of termination (with 60 days to cure) of the Franchise Agreement.

6. The following sentences are added to the end of Sections ~~27(B)-27(C)~~27(B)-27(C):

Minnesota Statute § 80C.21 and Minnesota Rule 2860.4400J prohibit us from requiring litigation to be conducted outside Minnesota. In addition, nothing in the Franchise Agreement can abrogate or reduce any of your rights as provided for in Minnesota Statutes, Chapter 80C, or your rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction.

7. The second sentence of Section ~~27(D)~~27(D) is deleted and replaced with the following sentence:

You and we waive, to the fullest extent permitted by law, the right to bring, or be a class member in, any class action suits.

8. The second sentence of Section ~~27(H)~~27(H) is deleted and replaced with the following sentence:

Therefore, you agree that, in the event of a default or threatened default of any of the terms of this

Agreement by you, we are entitled to seek injunctive relief (both preliminary and permanent) restraining that default and/or to specific performance. A court will determine if a bond or security must be posted.

19. Any capitalized term that is not defined in this Addendum shall have the meaning given it in the Franchise Agreement.

20. ~~Except as expressly modified by this Addendum, the Franchise Agreement remains unmodified and in full force and effect.~~

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

21. Except as expressly modified by this Addendum, the Franchise Agreement remains unmodified and in full force and effect.

IN WITNESS WHEREOF, the parties have executed and delivered this Agreement on the dates noted below, to be effective as of the Effective Date.

FRANCHISOR:

FRANCHISEE:

FRANKNFURTERS FRANCHISING LLC

By: _____

By: _____

Name: _____

Name: _____

Title _____

Title _____

Date _____

Date _____

**ADDENDUM TO FRANCHISE AGREEMENT
REQUIRED FOR NEW YORK FRANCHISEES**

1. The following information is added to the cover page of the Franchise Disclosure Document:

INFORMATION COMPARING FRANCHISORS IS AVAILABLE. CALL THE STATE ADMINISTRATORS LISTED IN EXHIBIT A OR YOUR PUBLIC LIBRARY FOR SERVICES OR INFORMATION. REGISTRATION OF THIS FRANCHISE BY NEW YORK STATE DOES NOT MEAN THAT NEW YORK STATE RECOMMENDS IT OR HAS VERIFIED THE INFORMATION IN THIS FRANCHISE DISCLOSURE DOCUMENT. IF YOU LEARN ANYTHING IN THIS FRANCHISE DISCLOSURE DOCUMENT IS UNTRUE, CONTACT THE FEDERAL TRADE COMMISSION AND THE APPROPRIATE STATE OR PROVINCIAL AUTHORITY. THE FRANCHISOR MAY, IF IT CHOOSES, NEGOTIATE WITH YOU ABOUT ITEMS COVERED IN THE FRANCHISE DISCLOSURE DOCUMENT. HOWEVER, THE FRANCHISOR CAN NOT USE THE NEGOTIATING PROCESS TO PREVAIL UPON A PROSPECTIVE FRANCHISEE TO ACCEPT TERMS THAT ARE LESS FAVORABLE THAN THOSE SET FORTH IN THIS FRANCHISE DISCLOSURE DOCUMENT.

2. The following is to be added at the end of Item 3:

With the exception of what is stated above, the following applies to the franchisor, its predecessor, a person identified in Item 2, or an affiliate offering franchises under the franchisor's principal trademark:

- A. No such party has an administrative, criminal, or civil action pending against that person alleging: a felony, a violation of a franchise, antitrust, or securities law, fraud, embezzlement, fraudulent conversion, misappropriation of property, unfair or deceptive practices, or comparable civil or misdemeanor allegations.
- B. No such party has pending actions, other than routine litigation incidental to the business, which are significant in the context of the number of franchisees and the size, nature, or financial condition of the franchise system or its business operations.
- C. No such party has been convicted of a felony or pleaded nolo contendere to a felony charge or, within the 10-year period immediately preceding the application for registration, has been convicted of or pleaded nolo contendere to a misdemeanor charge or has been the subject of a civil action alleging: violation of a franchise, antifraud, or securities law; fraud; embezzlement; fraudulent conversion or misappropriation of property; or unfair or deceptive practices or comparable allegations.
- D. No such party is subject to a currently effective injunctive or restrictive order or decree relating to the franchise, or under a Federal, State, or Canadian franchise, securities, antitrust, trade regulation, or trade practice law, resulting from a concluded or pending action or proceeding brought by a public agency; or is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities and Exchange Act of 1934, suspending or expelling such person from membership in such association or exchange; or is subject to a currently effective injunctive or restrictive order relating to any other business activity as a result of an action brought by a public agency or department, including, without limitation, actions affecting a license as a real estate broker or sales agent.

3. The following is added to the end of the "Summary" sections of Item 17(c), titled "**Requirements for a franchisee to renew or extend**," and Item 17(m), entitled "**Conditions for franchisor approval of transfer**":

However, to the extent required by applicable law, all rights you enjoy and any causes of action arising in your favor from the provisions of Article 33 of the General Business Law of the State of New York and the regulations issued thereunder shall remain in force; it being the intent of this proviso that the non-waiver provisions of General Business Law Sections 687(4) and 687(5) be satisfied.

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.

IN WITNESS WHEREOF, the parties have executed and delivered this Agreement on the dates noted below, to be effective as of the Effective Date.

<u>FRANCHISOR:</u>	<u>FRANCHISEE:</u>
<u>FRANKNFURTERS FRANCHISING LLC</u>	_____
By: _____	By: _____
Name: _____	Name: _____
Title _____	Title _____
Date _____	Date _____

NORTH DAKOTA ADDENDUM TO THE FRANCHISE AGREEMENT

Although Franchise Agreement contains a provision requiring a general release as a condition of renewal or transfer of the franchise. Such release is subject to and will exclude claims arising under the North Dakota Franchise Investment Law.

Although Franchise Agreement provides that it will be governed by and construed in accordance with the laws of the State of Arizona, we agree that the laws of the State of North Dakota will govern the construction and interpretation of your Franchise Agreement.

Although the Franchise Agreement requires the franchisee to waive a trial by jury, as well as exemplary and punitive damages. These requirements are not enforceable in North Dakota pursuant to Section 51-19-09 of the North Dakota Franchise Investment Law and are therefore not part of your Franchise Agreement.

Although the Franchise Agreement requires the franchisee to waive a trial by jury, as well as exemplary and punitive damages. These requirements are not enforceable in North Dakota pursuant to Section 51-19-09 of the North Dakota Franchise Investment Law and are therefore not part of your Franchise Agreement.

Although the Franchise Agreement requires the franchisee to consent to a limitation of claims period within one year, the Commissioner had determined this 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 therefore governed by North Dakota law.

Although the Franchise Agreement stipulates that the franchisee shall pay all costs and expenses incurred by the franchisor in enforcing the agreement, the Commissioner has determined that a requirement requiring the waiver of a trial by jury to be unfair, unjust and inequitable within the intent of Section 51-19-09 of the North Dakota Franchise Investment Law. The provision shall be changed to read that the prevailing party in any enforcement action is entitled to recover all costs and expenses including attorney’s fees.

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.

Based upon the franchisor’s financial condition, the state of North Dakota has required a financial assurance. Therefore, all initial fees and payments owed by franchisees shall be deferred until the franchisor completes its pre-opening obligations under the franchise agreement.

IN WITNESS WHEREOF, the parties have executed and delivered this Agreement on the dates noted below, to be effective as of the Effective Date.

<u>FRANKNFURTERS FRANCHISING LLC an Arizona limited liability company</u>	<u>FRANCHISEE:</u>
By: _____	_____
Name: _____	By: _____
Title _____	Name: _____
Date _____	Title _____

Date _____

SOUTH DAKOTA ADDENDUM TO THE FRANCHISE AGREEMENT

Based upon the franchisor's financial condition, the South Dakota Securities Regulation Office has required a financial assurance. Therefore, all initial fees and payments owed by franchisees shall be deferred until the franchisor completes its pre-opening obligations under the franchise agreement. In addition, all development fees and initial payments by area developers shall be deferred until the first franchise under the development agreement opens.

FRANCHISOR:

FRANKNFURTERS FRANCHISING LLC

By: _____

Name: _____

Title _____

Date _____

FRANCHISEE:

By: _____

Name: _____

Title _____

Date _____

**WASHINGTON ADDENDUM TO THE FRANCHISE AGREEMENT,
AND RELATED AGREEMENTS**

In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, Chapter 19.100 RCW will prevail.

RCW 19.100.180 may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise. There may also be court decisions which may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise.

In any arbitration or mediation involving a franchise purchased in Washington, the arbitration or mediation site will be either in the state of Washington, or in a place mutually agreed upon at the time of the arbitration or mediation, or as determined by the arbitrator or mediator at the time of arbitration or mediation. In addition, if litigation is not precluded by the franchise agreement, a franchisee may bring an action or proceeding arising out of or in connection with the sale of franchises, or a violation of the Washington Franchise Investment Protection Act, in Washington.

A release or waiver of rights executed by a franchisee may not include rights under the Washington Franchise Investment Protection Act or any rule or order thereunder except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel. Provisions such as those which unreasonably restrict or limit the statute of limitations period for claims under the Act, or rights or remedies under the Act such as a right to a jury trial, may not be enforceable.

Transfer fees are collectable to the extent that they reflect the franchisor's ~~reasonable~~-estimated or actual costs in effecting a transfer.

Pursuant to RCW 49.62.020, a noncompetition covenant is void and unenforceable against an employee, including an employee of a franchisee, unless the employee's earnings from the party seeking enforcement, when annualized, exceed \$100,000 per year (an amount that will be adjusted annually for inflation). In addition, a noncompetition covenant is void and unenforceable against an independent contractor of a franchisee under RCW 49.62.030 unless the independent contractor's earnings from the party seeking enforcement, when annualized, exceed \$250,000 per year (an amount that will be adjusted annually for inflation). As a result, any provisions contained in the franchise agreement or elsewhere that conflict with these limitations are void and unenforceable in Washington.

RCW 49.62.060 prohibits a franchisor from restricting, restraining, or prohibiting a franchisee from (i) soliciting or hiring any employee of a franchisee of the same franchisor or (ii) soliciting or hiring any employee of the franchisor. As a result, any such provisions contained in the franchise agreement or elsewhere are void and unenforceable in Washington.

The State of Washington has imposed a financial condition under which the initial franchise fees due will be deferred until the franchisor has fulfilled its initial pre-opening obligations under the Franchise

Agreement and the franchise is open for business. Because the Franchisor has material pre-opening obligations with respect to each franchised business the Franchisee opens under the Development Agreement, the State of Washington will require that the franchise fees be released prorated proportionally with respect to each franchised business.

Pursuant to RCW 19.100.010, a franchisee who receives financial incentives to refer franchise prospects to the Franchisor may be required to register as franchise brokers under the laws of Washington State.

~~The franchisor [uses/may use] the services of franchise brokers to assist it in selling franchises. A franchise broker represents the franchisor and is paid a fee for referring prospects to the franchisor and/or selling the franchise. Do not rely only on the information provided by a franchise broker about a franchise. Do your own investigation by contacting the franchisor's current and former franchisees to ask them about their experience with the franchisor.~~

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

Pursuant to RCW 19.100, the General Release does not apply with respect to claims arising under the Washington Franchise Investment Protection Act, and the rules adopted thereunder.

We may only collect the attorneys' fee we incur in enforcing our rights under the Franchise Agreement if we are the prevailing party to a dispute between you and us.

Section 30 of the Franchise Agreement does not apply in Washington.

We agree that all references to "90 days" in Section 16(D) of the Franchise Agreement are changed to "180 days". You will have 180 days to transfer the Franchise Agreement upon your death or disability.

IN WITNESS WHEREOF, the parties have executed and delivered this Agreement on the dates noted below, to be effective as of the Effective Date.

<u>FRANCHISOR:</u>	<u>FRANCHISEE:</u>
<u>FRANKNFURTERS FRANCHISING LLC</u>	_____
By: _____	By: _____
Name: _____	Name: _____
Title _____	Title _____
Date _____	Date _____

FRANCHISOR:

FRANKNFURTERS FRANCHISING LLC

By: _____

Name: _____

Title _____

Date _____

FRANCHISEE:

By: _____

Name: _____

Title _____

Date _____

Exhibit D
Development Agreement

DEVELOPMENT AGREEMENT

This Development Agreement, dated as of the date set forth on the last page of this Agreement, by and between **Frankfurters Franchising LLC, a Delaware limited liability company** ("Franchisor"), and the party identified on the last page of this Agreement ("Franchisee").

RECITALS

A. Franchisor and Franchisee have signed that certain Franchise Agreement, dated as of _____ (the "Franchise Agreement"), with respect to the operation by Franchisee of a Frank & Furter's Restaurant (the "First Unit");

B. Franchisee desires to operate additional Restaurant® franchises (the "Subsequent Units"); and

C. Subject to the terms and conditions of this Agreement, Franchisor is willing to grant an additional Restaurant® franchises to Franchisee.

AGREEMENT

NOW, THEREFORE, in consideration of the mutual covenants and agreements contained in this Agreement, and for other good and valuable consideration, the parties agree as follows:

1. Grant of Option to Establish Additional Restaurants.

(a) Subject to and in accordance with the terms of this Agreement, Franchisor grants to Franchisee, and Franchisee accepts, an option to establish, open, and operate additional Restaurants at the following locations or within the following geographical area (the "Development Area"):

(b) on or before the Opening Deadline set forth in the Schedule below:

Unit #	Opening Deadline
2	
3	
4	
5	

(c) Subject to and in accordance with the terms of this Agreement, Franchisee (and his Principals, directors, officers, managers and employees) will sign and deliver to Franchisor, in connection with each Unit, a franchise agreement (and such other ancillary agreements and documents as Franchisor may then require in connection with the signing of franchise agreements) in the form then being signed by new franchisees and will be subject to the terms of such franchise agreement (including, without limitation, the Royalty Fees, the 4and other fees).

2. Development Fees. The Development Fees payable in connection with the execution of this Development Agreement will vary depending upon the number of Restaurants that you agree to open in the Development Area. For 2024, the Development Fees payable in connection with the Development Agreement shall be:

[DEVELOPMENT FEE SCHEDULE]

The Development Fee is due in full upon execution of this Agreement, not refundable, and will be used for our general purposes.

3. Royalty Fees. Unless otherwise provided in this Agreement, the Royalty Fees payable to us in conjunction with each of your Franchise Agreement and each Subsequent Units will be set forth in the Franchise Agreement executed in conjunction with each Franchise Agreement.

4. Conditions to Establishing Additional Restaurants. Franchisee acknowledges and agrees that it is critical for Franchisor to protect the Trademarks and to maintain a high quality of services and products provided under the Trademarks. Accordingly, Franchisee acknowledges that Franchisor has a significant interest in granting franchises only to persons who operate their Restaurants in accordance with the highest integrity and operational excellence, and agrees that Franchisee's right to establish and operate the Units will be subject to the satisfaction (in Franchisor's sole discretion) of each of the following conditions:

(a) At the time that Franchisee seeks to sign a franchise agreement with respect to a Subsequent Unit, Franchisee (and his Affiliates and their respective Principals, directors, officers, managers and employees) must not be in default of his (or their) obligations under, or related to, this Agreement, any franchise agreement or any other agreement with Franchisor or its Affiliates, and no fact or condition exists that, with the passage of time or the giving of notice, would constitute a default;

(b) At the time that Franchisee seeks to sign a franchise agreement with respect to a Subsequent Unit, (i) all Restaurants operated by Franchisee (and all of his Affiliates) must be in full compliance with all operational and other requirements, rules and policies contained in Franchisor's Operation Manual and (ii) Franchisee must qualify (in Franchisor's sole discretion) for acceptance as a franchisee under Franchisor's then-current qualifications (including, without limitation, financial qualifications) for franchisees;

(c) Franchisee (and his Principals, directors, officers, managers and employees) signs and delivers to Franchisor, in connection with any such Subsequent Unit, the franchise agreement (and such other ancillary agreements and documents as Franchisor may then require in connection with the signing of franchise agreements) in the form then being signed by new franchisees and will be subject to the terms of such franchise agreement including, without limitation, the Royalty Fees, the Advertising Fund Contributions and other fees; and

(d) At the time that Franchisee seeks to sign a franchise agreement with respect to a Subsequent Unit, Franchisee must sign a general release of Franchisor and its Affiliates, in the form attached hereto as Schedule A, or in such other form as Franchisor may then require. Franchisee agrees that if Franchisee fails to satisfy (in Franchisor's sole discretion) each of the above conditions, Franchisee will not be entitled to establish or operate the additional Restaurants contemplated by this Agreement and that Franchisor will not be obligated to grant Franchisee any additional franchises or sign any additional franchise agreements with Franchisee; provided, however, that Franchisee's rights with respect to Subsequent Units to which both Franchisee and Franchisor have previously signed franchise agreements will not be subject to the terms of this Section 4, but will be subject to the terms of those franchise agreements.

5. Location of Subsequent Units.

(a) Franchisee must establish and operate each Subsequent Unit within the Development Area, subject to the approval of that location by Franchisor, which approval may not be unreasonably withheld.

(b) Subject to Section ~~5(e)~~5(c), if Franchisor desires to operate, or grant any other Person the right to operate, a Restaurant within the Development Area, Franchisor will provide to Franchisee written notice of the location at which Franchisor intends that Restaurant to be located (the “Initiating Notice”). If Franchisee provides to Franchisor, within ten (10) days after the date of the Initiating Notice, written notice of Franchisee’s intent to sign the franchise agreement with respect to that Unit at the location specified in the Initiating Notice and that franchise agreement (and all other documents to be signed in connection therewith) is signed by Franchisee (and the balance of the franchise fee (and all other amounts payable in connection therewith) is paid) within 30 days after the date of the Initiating Notice, Franchisor will not operate, or grant any other Person the right to operate, a Restaurant at the location specified in the Initiating Notice. If Franchisee fails to satisfy either of those requirements, or this Agreement is terminated, Franchisor will not be subject to the restrictions set forth in this Section ~~5(b)~~5(b). Notwithstanding the foregoing, if Franchisee fails to satisfy any of the conditions contained in Section 5.5 at the time that Franchisee’s rights under this Section ~~5(b)~~5(b) would otherwise arise, Franchisor will not be subject to the restrictions set forth in this Section ~~5(b)~~5(b).

(c) Notwithstanding anything contained in this Agreement to the contrary, including, without limitation, Section ~~5(b)~~5(b):

(i) Franchisor and/or its Affiliates may market, directly or indirectly, services and/or products (including, without limitation, identical, similar, or other services and products) under the Marks (or under other trademarks) through channels of distribution other than Restaurants, including the Internet.

(ii) Franchisor reserves the right to market services and/or products (including, without limitation, identical, similar, or other services and products) under the Trademarks (or under other trademarks) or otherwise on the Internet. Franchisee may not market his Restaurants or use the Trademarks on the Internet.

(iii) Franchisor reserves the right to market services and/or products (including, without limitation, identical, similar, or other services and products) under the Trademarks (or under other trademarks) outside of the Development Area.

(iv) Franchisor reserves the right to market services and/or products (including, without limitation, identical, similar, or other services and products) under trademarks other than the Marks within the Development Area.

(d) Franchisee acknowledges that Franchisor presently intends to develop Franchised Businesses (including franchised and company-owned units) throughout the United States and perhaps internationally and that one or more future Franchised Businesses (including franchised and company-owned units) may have an adverse effect on the revenues and profitability of existing Franchised Businesses, including Franchisee’s Franchised Businesses. Franchisee further acknowledges that Franchisor has not made any representation or agreement, or provided Franchisee any assurance, that no future Franchised Business (including franchised and company-owned units) would adversely affect the revenues and profitability of Franchisee’s Franchised Businesses.

6. Termination. This Agreement will terminate upon the earlier of:

- (a) the date of the last Development Deadline specified in Section 1 of this Agreement.
- (b) the Insolvency of Franchisee.
- (c) the default by Franchisee (or any of his Affiliates) of any of his (or their) obligations under, or related to, this Agreement, any franchise agreement or any other agreement with Franchisor or its Affiliates; and
- (d) the date on which any franchise agreement previously signed by Franchisee (or any of his Affiliates) and Franchisor, or any other agreement between Franchisee (or any of his Affiliates) and Franchisor (or any of its Affiliates), is terminated.

7. Extension Fee. You may extend the Development Deadline to open a Restaurant, on a month to month basis, by paying us the Extension Fee. The Extension Fee currently being charged is \$2,500 per month per Restaurant and shall be paid on or before the 5th day of each month for which an extension is sought. We reserve the right to modify, increase, decrease or waive the Extension Fee in our sole and absolute discretion.

8. Provisions. Each provision, condition and term of this Agreement is material, and a default or violation of any of them will constitute a default of that party's obligations under this Agreement.

9. Definitions. All capitalized terms used, but not defined, in this Agreement have the meanings given them in the Franchise Agreement.

10. Notices. All communications or notices required or permitted to be given or served under this Agreement must be in writing and will be deemed to have been duly given or made if (a) delivered in person or by courier (including by Federal Express or other courier), (b) deposited in the United States mail, postage prepaid, for mailing by certified or registered mail, return receipt requested, or (c) faxed, and addressed to the address or fax number set forth on the last page of this Agreement. All communications and notices will be effective upon delivery in person or by courier to the address set forth in this Agreement, upon being deposited in the United States mail in the manner set forth above or upon being faxed in the manner set forth above. Any party may change his, her or its address or fax number by giving notice in writing, stating his, her or its new address, to the other party to this Agreement as provided in the foregoing manner.

11. Transfers; Successors and Assigns.

(a) Notwithstanding anything contained in this Agreement, or in any other agreement, to the contrary, Franchisee may not assign or otherwise transfer, by operation of law or otherwise, his rights under this Agreement without the prior written consent of Franchisor, which consent may be withheld by Franchisor in its sole discretion. Any transfer of an equity interest in Franchisee, by operation of law or otherwise, and any merger or consolidation of Franchisee (if a corporation, partnership, limited liability company or other entity) will be deemed to be a transfer of the Franchised Business in violation of this Section 11.1. Any attempt by Franchisee to assign his rights under this Agreement without Franchisor's prior written consent will be void.

(b) Notwithstanding anything contained in this Agreement to the contrary, Franchisor may assign its rights under this Agreement, or delegate any of its obligations hereunder, without the consent of Franchisee or any other person.

(c) Subject to Section ~~11(a)~~11(a) of this Agreement, this Agreement will be binding upon and inure to the benefit of the parties and their respective assigns, legal representatives, executors, heirs, and successors.

12. Amendment, Modification or Waiver.

(a) Except as stated in this Agreement, no amendment, modification or waiver of any condition, provision or term of this Agreement will be valid or of any effect unless made in writing, signed by the parties, and specifying with particularity the nature and extent of the amendment, modification, or waiver.

(b) Failure on the part of any party to complain of any act or failure to act of another party or to declare another party in default, irrespective of how long the failure continues, will not constitute a waiver by that party of his, her or its rights under this Agreement. Any waiver by any party of any default of another party will not affect or impair any right arising from any other or subsequent default.

13. Indemnification. Franchisee agrees to indemnify, defend, and hold harmless Franchisor, its affiliates, and Franchisor's and their respective affiliates, shareholders, members, managers, directors, partners, officers, employees, agents, successors, and assignees (the "***Indemnified Parties***") against, and to reimburse any one or more of the Indemnified Parties for, all claims, obligations, and damages directly or indirectly arising out of the Restaurant's operation, employment matters in connection with the Restaurant, the business Franchisee conducts under this Agreement, or Franchisee's breach of this Agreement, including, without limitation, those alleged to be or found to have been caused by the Indemnified Party's negligence, unless (and then only to the extent that) the claims, obligations, or damages are determined to be caused solely by Franchisor's gross negligence or willful misconduct in a final, unappealable ruling issued by a court or arbitrator with competent jurisdiction. Franchisee agrees to give Franchisor and the Indemnified Parties written notice of any action, suit, proceeding, claim, demand, inquiry, or investigation that could be the basis for a claim for indemnification by any of the Indemnified Parties within three (3) days of Franchisee's actual or constructive knowledge of it. The Indemnified Parties shall have the right, in their sole discretion to: (i) retain counsel of their own choosing to represent them with respect to any claim; and (ii) control the response thereto and the defense thereof, including the right to enter into settlements or take any other remedial, corrective, or other actions. Franchisee agrees to give its full cooperation to the Indemnified Parties in assisting the Indemnified Parties with the defense of any such claim, and to reimburse the Indemnified Parties for all of their costs and expenses in defending any such claim, including court costs and ~~reasonable~~ attorneys' fees, within ten (10) days of the date of each invoice delivered by the Indemnified Parties to Franchisee enumerating such costs, expenses and attorneys' fees.

14. Entire Agreement. This Agreement, including the exhibits, contains the entire understanding and agreement of the parties with respect to the subject matter hereof and supersedes all prior agreements and understandings between the parties with respect to that subject matter. Each of the exhibits is incorporated in this Agreement by this reference and constitutes a part of this Agreement. No claim made in any franchise agreement is intended to disclaim the express representations made in this Franchise Disclosure Document. Nothing in this or any related agreement is intended to disclaim and express representations made in the franchise disclosure document, its exhibits and amendments

15. Terminology. All captions, headings or titles in the paragraphs or sections of this Agreement are inserted for convenience of reference only and do not constitute a part of this Agreement or a limitation of the scope of the particular paragraph or section to which they apply. All personal pronouns used in this Agreement, whether used in the masculine, feminine, or neuter gender, will, where appropriate, include all other genders and the singular will include the plural and vice versa.

16. Counterparts. This Agreement may be executed in two or more counterparts, each of which will be considered one and the same agreement and will become effective when one or more counterparts have been signed by each of the parties and delivered to the other parties.

17. DelawareArizona Law to Govern; Jurisdiction; Right to Jury Trial and Class Action Waived; Certain Damages Waived.

(a) This Agreement will be governed by, and construed and enforced in accordance with, the law of ~~Delaware~~Arizona, regardless of any conflict-of-law provisions to the contrary; provided, however, that any law of the State of ~~Delaware~~Arizona that regulates the offer or sale of franchises or business opportunities or governs the relationship between a franchisor and its franchisees, will not apply unless its jurisdictional requirements are met independently without reference to this Section.

(b) Each party agrees that any litigation between the parties will be commenced and maintained only in the courts located in ~~Delaware~~Arizona, and each party consents to the jurisdiction of those courts.

(c) Franchisee hereby waives the right to a jury trial, waives the right to initiate or participate in a class action in any forum and waives the right to seek or collect punitive, consequential, and special damages in any forum.

18. Attorneys' Fees. In the event of any claim, controversy or dispute arising out of or relating to this Agreement, or the default thereof, the prevailing party may recover ~~reasonable~~ attorneys' fees incurred in connection with any proceeding.

19. Construction. The parties acknowledge that each party was represented (or had the opportunity to be represented) by legal counsel in connection with this Agreement and that each of them and his, her or its counsel have reviewed this Agreement, or have had an opportunity to do so, and that any rule of construction to the effect that ambiguities are to be resolved against the drafting party will not be employed in the interpretation of this Agreement or any amendments or any exhibits hereto or thereto.

20. Additional Actions. Each party agrees to do all acts and things and to make, execute and deliver such written instruments as may from time to time be reasonably required to carry out the terms and provisions of this Agreement.

21. Computation of Time. Whenever the last day for the exercise of any privilege or discharge of any duty under this Agreement falls upon Saturday, Sunday or any legal holiday under ~~Delaware~~Arizona law, the party having that privilege or duty will have until 5:00 p.m. Delaware time, on the next succeeding regular business day to exercise that privilege or to discharge that duty.

22. Currency. Unless otherwise directed by Franchisor in writing, all amounts contemplated by this Agreement will be paid in United States Dollars and deposited in the bank account specified by the recipient. Computation of any amounts to be paid which require conversion between currencies will be made at the selling rate for United States Dollars quoted by Franchisor's primary bank on the date on which payment is made. Franchisee will pay all costs of currency exchange.

23. Authority. Any individual signing below on behalf of a corporation, partnership, Limited Liability Company, or other entity personally represents that he has full authority to bind the party or parties on whose behalf he is signing.

24. Terrorist and Money Laundering Activities. Franchisee hereby represents and warrants to Franchisor that neither Franchisee, nor any of his Affiliates or their respective equity owners, directors, officers, employees, representatives and agents (collectively, the “Included People”), (a) is identified, by name or an alias, pseudonym or nickname, on the lists of “Specially Designated Nationals” or “Blocked Persons” maintained by the U.S. Treasury Department’s Office of Foreign Assets Control (texts currently available at www.treas.gov/offices/enforcement/ofac/) or (b) has violated any law prohibiting corrupt business practices, money laundering or the aid or support of persons who conspire to commit acts of terror against any person or government, including acts prohibited by the U.S. Patriot Act (text currently available at www.epic.org/privacy/terrorism/hr3162.html), U.S. Executive Order 13224 (text currently available at www.treas.gov/offices/enforcement/ofac/sanctions/terrorism.html) or any similar law. Franchisee agrees that he will comply with, and will cause the Included People to comply with, all laws prohibiting corrupt business practices, money laundering or the aid or support of persons who conspire to commit acts of terror against any person or government. Franchisee further agrees that he will immediately notify Franchisor of the occurrence of any event, or the development of any circumstances, which might render any of the foregoing representations or warranties to be false, inaccurate, or misleading.

25. Acknowledgement of Franchisee. Franchisee acknowledges that, except as expressly set forth in the Disclosure Document delivered to Franchisee, neither Franchisor, nor anyone acting on behalf of Franchisor, has made any claims or representations whatsoever regarding potential sales, profits, or earnings achievable by Franchisee in connection with the conduct of the Franchised Businesses. Franchisee acknowledges that he has been informed, and he understands that the successful operation of the Franchised Businesses will depend primarily upon the efforts, capabilities and management skills of Franchisee and general economic conditions and trends. Franchisee acknowledges and confirms that he has selected, or will select, the premises on which the Franchised Businesses will be established and operated by him, and that the decision to establish and operate the Franchised Businesses in those premises was, or will be, made solely by him, without any reliance upon any information provided (if any), recommendation made (if any) or approval given (if any) by Franchisor, its Affiliates or any of their respective shareholders, directors, officers, employees, representatives or agents. Franchisee accepts full responsibility for the consequences of his decision.

26. Dispute Resolution.

(a) Mediation. Before you or we may bring an action in court, against the other, you and we must first meet to mediate the dispute (except as otherwise provided below). Any such mediation will be non-binding and will be conducted by the American Arbitration Association in accordance with its then-current rules for mediation of commercial disputes. This Section 26(a) will not bar you or us from obtaining judicial or injunctive relief for claims that are based solely on demands for monies owed, or from obtaining injunctive relief against threatened conduct that will cause us loss or damages, under the usual equity rules, including the applicable rules for obtaining restraining orders and preliminary injunctions, without having to engage in mediation; including, without limitation, claims involving the Marks. The mediation proceeding will be conducted within 30 miles of our then-existing principal business location.

(b) Governing Law. Except to the extent governed by the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. Sections 1051 et seq.) or other federal law, this Agreement, the Franchise, and all claims arising from the relationship between you and us will be governed by the laws of the State of Arizona, without regard to its conflict of laws rules.

(c) Consent to Jurisdiction and Venue. We may file suit in the federal or state court located in the jurisdiction where our principal offices are located at the time suit is filed or in the jurisdiction where you reside or do business, where your Restaurant is or was located, or where the claim arose. You consent to the personal jurisdiction of those courts over you and to venue in those courts.

(d) Waiver of Certain Damages and Rights. You and we waive, to the fullest extent permitted by law, any right or claim of any punitive or exemplary damages against each other and agree that, in the event of a dispute between us, we each will be limited to the recovery of actual damages sustained. You and we waive, to the fullest extent permitted by law, the right to bring, or be a class member in, any class action suits and the right to trial by jury.

(e) Reimbursement of Costs and Expenses. If either party brings an action to enforce this Agreement in a judicial proceeding, the party prevailing in that proceeding will be entitled to reimbursement of costs and expenses, including, but not limited to, accountants', attorneys', attorneys' assistants' and expert witness fees, the cost of investigation and proof of facts, court costs, other litigation expenses, and travel and living expenses, whether incurred prior to, in preparation for, in contemplation of or subsequent to the filing of, the proceeding. If we utilize legal counsel (including in-house counsel employed by us) in connection with any failure by you to comply with this Agreement, you agree to reimburse us for any of the above-listed costs and expenses incurred by us. In any judicial proceeding, the amount of these costs and expenses will be determined by the court and not by a jury.

(f) Rights and Remedies Cumulative. No right or remedy conferred upon or reserved to us or you by this Agreement is intended to be, nor shall be deemed, exclusive of any other right or remedy in this Agreement or by law or equity provided or permitted, but each shall be cumulative of every other right or remedy. The provisions of this Section 26 shall survive the expiration or earlier termination of this Agreement.

(g) Limitations of Claims. Any and all claims and actions arising out of or relating to this Agreement, the relationship between you and us, or your operation of your Restaurant, must be brought or asserted before the expiration of the earlier of: (1) the time period for bringing an action under any applicable state or federal statute of limitations; (2) 1 year after the date upon which a party discovered, or should have discovered, the facts giving rise to an alleged claim; or (3) 2 years after the first act or omission giving rise to an alleged claim; or it is expressly acknowledged and agreed by all parties that such claims or actions will be irrevocably barred. Our claims attributable to underreporting of sales and claims of the parties for failure to pay monies owed and/or indemnification will be subject only to the applicable state or federal statute of limitations.

(h) Injunctive Relief. You recognize that your failure to comply with the terms of this Agreement, including, but not limited to, your failure to fully comply with all post-termination obligations, is likely to cause irreparable harm to us, our affiliates, and the System. Therefore, you agree that, in the event of a breach or threatened breach of any of the terms of this Agreement by you, we will be entitled to injunctive relief (both preliminary and permanent) restraining that breach and/or to specific performance without showing or proving actual damages and without posting any bond or security. Any equitable remedies sought by us will be in addition to, and not in lieu of, all remedies and rights that you otherwise may have arising under applicable law or by virtue of any breach of this Agreement.

[Signatures on Following Page]

IN WITNESS WHEREOF, the parties have executed this Agreement, or caused this Agreement to be executed, as of _____.

FRANCHISOR:

FRANKNFURTERS FRANCHISING LLC

By: _____

Name: _____

Title: _____

Address: _____

By: _____

Name: _____

Title: _____

Address: _____

FRANCHISEE:

By: _____

Name: _____

Title: _____

Address: _____

By: _____

Name: _____

Title: _____

Address: _____

CONSENT OF SPOUSE
(to be signed if Franchisee is a married individual)

In consideration of the execution of the Development Agreement to which this Consent is attached (including the exhibits thereto, the "Agreement") by Restaurant Franchise, LLC, and knowing that Restaurant Franchise, LLC will rely upon this Consent of Spouse, the undersigned spouse of the franchisee identified in the Agreement acknowledges that he/she has read the Agreement, agrees to be bound by provisions and agrees that he/she will make, execute and deliver such instruments and documents that may be necessary to carry out the provisions of the Agreement.

Dated: _____

(Signature of Spouse)

(Print Name of Spouse)

SCHEDULE A TO DEVELOPMENT AGREEMENT INFORMATION SHEET

If Franchisee is any entity, identify:

Type of entity: _____

State of organization: _____

Title of signatory: _____

If an individual, identify state of residence and domicile: _____

Address: _____

Email Address: _____

Person who will supervise the Franchised Business: _____

Address: _____

Email Address: _____

Telephone Numbers: (H) _____

(O) _____

(C) _____

Principals of Franchisee (Shareholders, Partners, Members, Etc.--Total MUST equal 100%)

<u>Name</u>	<u>% Ownership</u>
_____	_____
_____	_____
_____	_____
_____	_____

Number of Restaurants Included with Development Agreement _____

Development Fee: _____

_____(Franchisee Initials)

RELEASE

A. Frankfurters Franchising LLC, a Delaware limited liability company(“Franchisor”), and the undersigned (“Franchisee”), or one or more of Franchisee’s Affiliates (as defined below) have signed the Development Agreement and/or one or more Franchise Agreements pursuant to which Franchisor has granted Franchisee an option to establish and operate additional Restaurants.

B. One of the conditions precedent to Franchisee’s right to establish and operate the additional Restaurants is the signing and delivery by Franchisee of a general release of Franchisor and its Affiliates.

C. Franchisee or one of his Affiliates desires to establish and operate an additional Restaurants and to exercise its rights under the Development Agreement in connection therewith.

AGREEMENT

IN CONSIDERATION OF Franchisor’s [agreeing agreement](#) to grant Franchisee or one of his Affiliates a franchise to establish and operate Restaurants in accordance with the Development Agreement, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged:

1. Franchisee, on behalf of Franchisee and his Affiliates and their respective shareholders, members, directors, officers, employees, representatives and agents (collectively, the “Franchisee Parties”), hereby releases, discharges and acquits Franchisor and Sublessor and their Affiliates and their respective shareholders, members, directors, employees, representative and agents (collectively, the “Franchisor Parties”) for, from and against any and all claims, demands and causes of action (whether now existing or hereafter arising, known or unknown) that any of the Franchisee Parties now has or may in the future have against any of the Franchisor Parties that resulted, result or may result from, arise out of or relate to the Franchise Agreements, offering and sale of the Restaurant® franchise thereby, the establishment and operation of the Franchisee Parties’ Restaurants® and/or the relationship among the Franchisor Parties and the Franchisee Parties in connection with any of the foregoing.

2. For purposes of this Release, the term "Affiliate" means any person or entity controlling, controlled by or under common control with another person or entity.

3. This Release is not intended to, nor will it, act as a release, estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.

4. [Pursuant to RCW 19.100, the General Release does not apply with respect to claims arising under the Washington Franchise Investment Protection Act, and the rules adopted thereunder.](#)

EXECUTED as of the date first set forth above.

[Name of Franchisee]

By: _____

Name: _____

Title: _____

**CALIFORNIA ADDENDUM TO DEVELOPMENT AGREEMENT FOR CALIFORNIA
RESIDENTS AND FRANCHISEES WHOSE FRANCHISES WILL BE LOCATED IN
CALIFORNIA ONLY**

Registration of this franchise does not constitute approval, recommendation, or endorsement by the Commissioner.

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

If any of the provisions of the Franchise Agreement concerning termination are inconsistent with either the California Franchise Relations Act or with the Federal Bankruptcy Code (concerning termination of the Agreement on certain bankruptcy-related events), then such laws will apply.

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

The Franchise Agreement requires that it be governed by Arizona law. This requirement may be unenforceable under California law.

You must sign a general release if you renew or transfer your franchise. California Corporations Code 31512 voids a waiver of your rights under Franchise Investment Law (California Corporations Code 31000 through 31516). Business and Professions Code 20010 voids a waiver of your rights under the Franchise Business Relations Act (Business and Professions Code 20000 through 20043).

IN WITNESS WHEREOF, the parties have executed this Agreement, or caused this Agreement to be executed, as of _____.

FRANCHISOR:

FRANKNFURTERS FRANCHISING LLC

By: _____

Name: _____

Title: _____

Address: _____

By: _____

Name: _____

Title: _____

Address: _____

FRANCHISEE:

By: _____

Name: _____

Title: _____

Address: _____

By: _____

Name: _____

Title: _____

Address: _____

**ILLINOIS-ADDENDUM TO DEVELOPMENT AGREEMENT FOR ILLINOIS RESIDENTS
AND FRANCHISEES WHOSE FRANCHISES WILL BE LOCATED IN ILLINOIS ONLY**

AGREEMENT, dated as of the date set forth at the end of this Agreement, by and between **Frankfurters Franchising LLC, a Delaware limited liability company**("Franchisor"), and the franchisee identified at the end of this Agreement ("Franchisee").

That certain Development Agreement, dated as of the date hereof, by and between Franchisor and Franchisee is amended as follows:

1. Sections 14(a) and (b) of the Development Agreement will be revised to read as follows:
 - (a) This Agreement will be governed by, and construed and enforced in accordance with, the law of Illinois, regardless of any conflict-of-law provisions to the contrary.
 - (b) In conformance with Section 4 of the Illinois Franchise Disclosure Act, any provision in a franchise agreement that designates jurisdiction and venue in a forum outside of the State of Illinois is void. However, a franchise agreement may provide for arbitration to take place outside of Illinois.
2. Section 41 of the Illinois Franchise Disclosure Act provides that any condition, stipulation, or provision purporting to bind any person acquiring any franchise to waive compliance with the Illinois Franchise Disclosure Act, or any other law of Illinois is void.
3. Your rights upon termination and non-renewal are set forth in the Section 19 and 20 of the Illinois Franchise Disclosure Act.
4. ~~Payment of Initial Franchise Fees will be deferred until Franchisor has met all of its initial obligations to Franchisee and Franchisee has commenced doing business. This financial assurance requirement was imposed by the Illinois Attorney General's Office due to Franchisor's current financial condition.~~

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

~~Nothing in this or any related agreement is intended to disclaim the representations we made in the latest franchise disclosure document that we furnished to you.~~

The undersigned does hereby acknowledge receipt of this Addendum.

IN WITNESS WHEREOF, the parties have executed this Agreement, or caused this Agreement to be executed, as of _____.

FRANCHISOR:

FRANKFURTERS FRANCHISING LLC

By: _____

Name: _____

Title: _____

FRANCHISEE:

By: _____

Name: _____

Title: _____

Address: _____

Address: _____

By: _____
Name: _____
Title: _____
Address: _____

By: _____
Name: _____
Title: _____
Address: _____

**ADDENDUM TO DEVELOPMENT AGREEMENT FOR INDIAN A RESIDENTS AND
FRANCHISEES WHOSE FRANCHISES WILL BE LOCATED IN INDIANA ONLY**

AGREEMENT, dated as of the date set forth at the end of this Agreement, by and between **Frankfurters Franchising LLC, a Delaware limited liability company**("Franchisor"), and the franchisee identified at the end of this Agreement ("Franchisee").

1. Indiana law prohibits Franchisor from requiring Franchisee to prospectively assent to a release, assignment, novation, waiver, or estoppel which purports to relieve any person from liability to be imposed pursuant to the Indiana Deceptive Franchise Practices Act or requiring any controversy between Franchisee and Franchisor to be referred to any person, if referral would be binding upon Franchisee. Such prohibition does not apply to arbitration before an independent arbitrator.

2. Indiana law prohibits Franchisor from limiting litigation brought for default of the terms of the Development Agreement.

3. Indiana law may prohibit Franchisor from designating ~~Delaware~~Arizona law to govern the Development Agreement. If it is so construed, Indiana law will govern the Development Agreement.

The undersigned does hereby acknowledge receipt of this Addendum.

IN WITNESS WHEREOF, the parties have executed this Agreement, or caused this Agreement to be executed, as of _____.

FRANCHISOR:

FRANKNFURTERS FRANCHISING LLC

By: _____

Name: _____

Title: _____

Address: _____

By: _____

Name: _____

Title: _____

Address: _____

FRANCHISEE:

By: _____

Name: _____

Title: _____

Address: _____

By: _____

Name: _____

Title: _____

Address: _____

**ADDENDUM TO DEVELOPMENT AGREEMENT FOR MARYLAND RESIDENTS AND
FRANCHISEES WHOSE FRANCHISES WILL BE LOCATED IN MARYLAND ONLY**

AGREEMENT, dated as of the date set forth at the end of this Agreement, by and between **Frankfurters Franchising LLC, a Delaware limited liability company** ("Franchisor"), and the franchisee identified at the end of this Agreement ("Franchisee").

✚ That certain Development Agreement, dated as of the date hereof, by and between Franchisor and Franchisee, is amended as follows:

1. The following is added to Section 2 of the Development Agreement:

All Development Fees and initial payments by Developer shall be deferred until the first franchise under the Development Agreement opens.

2. The provisions of Section ~~1717~~ are not intended to, nor will they, act as a release, estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.

3. Section ~~2425~~ of the Development Agreement "Acknowledgement of Franchisee" is deleted in its entirety.

4. Pursuant to the Maryland Franchise Registration and Disclosure Law, litigation arising out of the Development Agreement may be conducted in Maryland.

5. Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within three years after the grant of the Franchise.

6. Based upon the franchisor's financial condition, the Maryland Securities Commissioner has required a financial assurance. Therefore, all initial fees and payments owed by franchisees shall be deferred until the franchisor completes its pre-opening obligations under the franchise agreement and the outlet is opened. In addition, all development fees and initial payments by area developers shall be deferred until the first franchise under the development agreement opens.

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

The undersigned does hereby acknowledge receipt of this Addendum.

IN WITNESS WHEREOF, the parties have executed this Agreement, or caused this Agreement to be executed, as of _____.

FRANCHISOR:

FRANKFURTERS FRANCHISING LLC

By: _____

Name: _____

Title: _____

Address: _____

By: _____

FRANCHISEE:

By: _____

Name: _____

Title: _____

Address: _____

By: _____

Name: _____
Title: _____
Address: _____

Name: _____
Title: _____
Address: _____

**ADDENDUM TO DEVELOPMENT AGREEMENT FOR MINNESOTA RESIDENTS AND
FRANCHISEES WHOSE FRANCHISES WILL BE LOCATED IN MINNESOTA ONLY**

AGREEMENT, dated as of the date set forth at the end of this Agreement, by and between **Frankfurters Franchising LLC, a Delaware limited liability company** ("Franchisor"), and the franchisee identified at the end of this Agreement ("Franchisee").

That certain Development Agreement, dated as of the date hereof, by and between Franchisor and Franchisee, is amended as follows:

1. The provisions of Minnesota Statutes Section 80C.21 and Minnesota Rule 2860.440J prohibit Franchisor from requiring litigation to be conducted outside Minnesota. In addition, nothing in this Development Agreement can abrogate or reduce any of Franchisee's rights as provided for in Minnesota Statutes, Chapter 80C, or Franchisee's rights to any procedure, forum or remedies provided for by the laws of the jurisdiction.
2. Section ~~17(e)~~17(c) of the Development Agreement will be deleted. The undersigned does hereby acknowledge receipt of this Addendum.
3. No statement, questionnaire or acknowledgement signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of: (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on behalf of the Franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

IN WITNESS WHEREOF, the parties have executed this Agreement, or caused this Agreement to be executed, as of _____.

FRANCHISOR:

FRANKNFURTERS FRANCHISING LLC

By: _____

Name: _____

Title: _____

Address: _____

By: _____

Name: _____

Title: _____

Address: _____

FRANCHISEE:

By: _____

Name: _____

Title: _____

Address: _____

By: _____

Name: _____

Title: _____

Address: _____

ADDENDUM TO DEVELOPMENT AGREEMENT FOR NORTH DAKOTA RESIDENTS AND FRANCHISEES WHOSE FRANCHISES WILL BE LOCATED IN NEW YORK ONLY

1. The following information is added to the cover page of the Franchise Disclosure Document:

INFORMATION COMPARING FRANCHISORS IS AVAILABLE. CALL THE STATE ADMINISTRATORS LISTED IN EXHIBIT A OR YOUR PUBLIC LIBRARY FOR SERVICES OR INFORMATION. REGISTRATION OF THIS FRANCHISE BY NEW YORK STATE DOES NOT MEAN THAT NEW YORK STATE RECOMMENDS IT OR HAS VERIFIED THE INFORMATION IN THIS FRANCHISE DISCLOSURE DOCUMENT. IF YOU LEARN ANYTHING IN THIS FRANCHISE DISCLOSURE DOCUMENT IS UNTRUE, CONTACT THE FEDERAL TRADE COMMISSION AND THE APPROPRIATE STATE OR PROVINCIAL AUTHORITY. THE FRANCHISOR MAY, IF IT CHOOSES, NEGOTIATE WITH YOU ABOUT ITEMS COVERED IN THE FRANCHISE DISCLOSURE DOCUMENT. HOWEVER, THE FRANCHISOR CAN NOT USE THE NEGOTIATING PROCESS TO PREVAIL UPON A PROSPECTIVE FRANCHISEE TO ACCEPT TERMS THAT ARE LESS FAVORABLE THAN THOSE SET FORTH IN THIS FRANCHISE DISCLOSURE DOCUMENT.

2. The following is to be added at the end of Item 3:

With the exception of what is stated above, the following applies to the franchisor, its predecessor, a person identified in Item 2, or an affiliate offering franchises under the franchisor's principal trademark:

- A. No such party has an administrative, criminal, or civil action pending against that person alleging: a felony, a violation of a franchise, antitrust, or securities law, fraud, embezzlement, fraudulent conversion, misappropriation of property, unfair or deceptive practices, or comparable civil or misdemeanor allegations.
- B. No such party has pending actions, other than routine litigation incidental to the business, which are significant in the context of the number of franchisees and the size, nature, or financial condition of the franchise system or its business operations.
- C. No such party has been convicted of a felony or pleaded nolo contendere to a felony charge or, within the 10-year period immediately preceding the application for registration, has been convicted of or pleaded nolo contendere to a misdemeanor charge or has been the subject of a civil action alleging: violation of a franchise, antifraud, or securities law; fraud; embezzlement; fraudulent conversion or misappropriation of property; or unfair or deceptive practices or comparable allegations.
- D. No such party is subject to a currently effective injunctive or restrictive order or decree relating to the franchise, or under a Federal, State, or Canadian franchise, securities, antitrust, trade regulation, or trade practice law, resulting from a concluded or pending action or proceeding brought by a public agency; or is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities and Exchange Act of 1934, suspending or expelling such person from membership in such association or exchange; or is subject to a currently effective injunctive or restrictive order relating to any other business activity as a result of an action brought by a public agency or department, including, without limitation, actions affecting a license as a real estate broker or sales agent.

3. The following is added to the end of the "Summary" sections of Item 17(c), titled "**Requirements for a franchisee to renew or extend,**" and Item 17(m), entitled "**Conditions for franchisor approval of transfer**":

However, to the extent required by applicable law, all rights you enjoy and any causes of action arising in your favor from the provisions of Article 33 of the General Business Law of the State of New York and the regulations issued thereunder shall remain in force; it being the intent of this proviso that the non-waiver provisions of General Business Law Sections 687(4) and 687(5) be satisfied.

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.

IN WITNESS WHEREOF, the parties have executed this Agreement, or caused this Agreement to be executed, as of _____.

<u>FRANCHISOR:</u>	<u>FRANCHISEE:</u>
<u>FRANKNFURTERS FRANCHISING LLC</u>	_____
By: _____	By: _____
Name: _____	Name: _____
Title: _____	Title: _____
Address: _____	Address: _____
_____	_____

ADDENDUM TO DEVELOPMENT AGREEMENT FOR NORTH DAKOTA RESIDENTS AND FRANCHISEES WHOSE FRANCHISES WILL BE LOCATED IN NORTH DAKOTA ONLY

AGREEMENT, dated as of the date set forth at the end of this Agreement, by and between Frankfurters Franchising LLC, a Delaware limited liability company("Franchisor"), and the franchisee identified at the end of this Agreement ("Franchisee").

That certain Development Agreement, dated as of the date hereof, by and between Franchisor and Franchisee, is amended as follows:

- Section ~~17~~17 of the Development Agreement is subject to the following: (a) litigation may be conducted in North Dakota, (b) North Dakota law will govern the Development Agreement and (c) paragraph ~~17(e)~~17(c) will be deleted.

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.

Based upon the franchisor’s financial condition, the state of North Dakota has required a financial assurance. Therefore, all initial fees and payments owed by franchisees shall be deferred until the franchisor completes its pre-opening obligations under the franchise agreement.

The undersigned does hereby acknowledge receipt of this Addendum.

IN WITNESS WHEREOF, the parties have executed this Agreement, or caused this Agreement to be executed, as of _____.

<p><u>FRANCHISOR:</u></p> <p><u>FRANKNFURTERS FRANCHISING LLC</u></p> <p>By: _____</p> <p>Name: _____</p> <p>Title: _____</p> <p>Address: _____</p> <p>_____</p>	<p><u>FRANCHISEE:</u></p> <p>_____</p> <p>By: _____</p> <p>Name: _____</p> <p>Title: _____</p> <p>Address: _____</p> <p>_____</p>
--	--

<p>FRANKNFURTERS FRANCHISING LLC</p> <p>By: _____</p> <p>Name: _____</p> <p>Title: _____</p> <p>Address: _____</p>	<p>FRANCHISEE</p> <p>By: _____</p> <p>Name: _____</p> <p>Title: _____</p> <p>Address: _____</p>
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ADDENDUM TO DEVELOPMENT AGREEMENT FOR SOUTH DAKOTA RESIDENTS AND FRANCHISEES WHOSE FRANCHISES WILL BE LOCATED IN SOUTH DAKOTA ONLY

Based upon the franchisor's financial condition, the South Dakota Securities Regulation Office has required a financial assurance. Therefore, all initial fees and payments owed by franchisees shall be deferred until the franchisor completes its pre-opening obligations under the franchise agreement. In addition, all development fees and initial; payments by area developers shall be deferred until the first franchise under the development agreement opens.

FRANCHISOR:

FRANKNFURTERS FRANCHISING LLC

By: _____

Name: _____

Title: _____

Address: _____

FRANCHISEE:

By: _____

Name: _____

Title: _____

Address: _____

ADDENDUM TO DEVELOPMENT AGREEMENT FOR VIRGINIA RESIDENTS AND FRANCHISEES WHOSE FRANCHISES WILL BE LOCATED IN VIRGINIA ONLY

AGREEMENT, dated as of the date set forth at the end of this Agreement, by and between Frankfurters Franchising LLC, a Delaware limited liability company("Franchisor"), and the franchisee identified at the end of this Agreement ("Franchisee").

That certain Development Agreement, dated as of the date hereof, by and between Franchisor and Franchisee, is amended as follows:

1. The following language is added to the Development Agreement.

“The Virginia State Corporation Commission’s Division of Securities and Retail Franchising requires us to defer payment of the Development fees owed by franchisees to the franchisor until the franchisor has completed its pre-opening obligations under the franchise agreement.”

2. 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. The undersigned does hereby acknowledge receipt of this Addendum.

IN WITNESS WHEREOF, the parties have executed this Agreement, or caused this Agreement to be executed, as of _____.

<p><u>FRANCHISOR:</u></p> <p><u>FRANKNFURTERS FRANCHISING LLC</u></p> <p>By: _____</p> <p>Name: _____</p> <p>Title: _____</p> <p>Address: _____</p> <p>_____</p>	<p><u>FRANCHISEE:</u></p> <p>_____</p> <p>By: _____</p> <p>Name: _____</p> <p>Title: _____</p> <p>Address: _____</p> <p>_____</p>
--	--

<p><u>FRANKNFURTERS FRANCHISING LLC</u></p> <p>By: _____</p> <p>Name: _____</p> <p>Title: _____</p> <p>Address: _____</p>	<p><u>FRANCHISEE</u></p> <p>By: _____</p> <p>Name: _____</p> <p>Title: _____</p> <p>Address: _____</p>
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WASHINGTON ADDENDUM TO THE DEVELOPMENT AGREEMENT

In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, Chapter 19.100 RCW will prevail.

RCW 19.100.180 may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise. There may also be court decisions which may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise.

In any arbitration or mediation involving a franchise purchased in Washington, the arbitration or mediation site will be either in the state of Washington, or in a place mutually agreed upon at the time of the arbitration or mediation, or as determined by the arbitrator or mediator at the time of arbitration or mediation. In addition, if litigation is not precluded by the franchise agreement, a franchisee may bring an action or proceeding arising out of or in connection with the sale of franchises, or a violation of the Washington Franchise Investment Protection Act, in Washington.

A release or waiver of rights executed by a franchisee may not include rights under the Washington Franchise Investment Protection Act or any rule or order thereunder except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel. Provisions such as those which unreasonably restrict or limit the statute of limitations period for claims under the Act, or rights or remedies under the Act such as a right to a jury trial, may not be enforceable.

Transfer fees are collectable to the extent that they reflect the franchisor's ~~reasonable~~ estimated or actual costs in effecting a transfer.

Pursuant to RCW 49.62.020, a noncompetition covenant is void and unenforceable against an employee, including an employee of a franchisee, unless the employee's earnings from the party seeking enforcement, when annualized, exceed \$100,000 per year (an amount that will be adjusted annually for inflation). In addition, a noncompetition covenant is void and unenforceable against an independent contractor of a franchisee under RCW 49.62.030 unless the independent contractor's earnings from the party seeking enforcement, when annualized, exceed \$250,000 per year (an amount that will be adjusted annually for inflation). As a result, any provisions contained in the franchise agreement or elsewhere that conflict with these limitations are void and unenforceable in Washington.

RCW 49.62.060 prohibits a franchisor from restricting, restraining, or prohibiting a franchisee from (i) soliciting or hiring any employee of a franchisee of the same franchisor or (ii) soliciting or hiring any employee of the franchisor. As a result, any such provisions contained in the franchise agreement or elsewhere are void and unenforceable in Washington.

Pursuant to RCW 19.100.010, a franchisee who receives financial incentives to refer franchise prospects to the Franchisor may be required to register as franchise brokers under the laws of Washington State.

~~The franchisor [uses/may use] the services of franchise brokers to assist it in selling franchises. A franchise broker represents the franchisor and is paid a fee for referring prospects to the franchisor and/or selling the franchise. Do not rely only on the information provided by a franchise broker about a franchise. Do your own investigation by contacting the franchisor's current and former franchisees to ask them about their experience with the franchisor.~~

~~The~~ State of Washington has imposed a financial condition under which the initial franchise fees due will be deferred until the franchisor has fulfilled its initial pre-opening obligations under the Franchise Agreement and the franchise is open for business. Because the Franchisor has material pre-opening obligations with respect to each franchised business the Franchisee opens under the Development Agreement, the State of Washington will require that the franchise fees be released prorated proportionally with respect to each franchised business.

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

Pursuant to RCW 19.100, the General Release does not apply with respect to claims arising under the Washington Franchise Investment Protection Act, and the rules adopted thereunder.

IN WITNESS WHEREOF, the parties have executed and delivered this Agreement on the dates noted below, to be effective as of the Effective Date.

<u>FRANCHISOR:</u>	<u>FRANCHISEE:</u>
<u>FRANKNFURTERS FRANCHISING LLC</u>	_____
By: _____	By: _____
Name: _____	Name: _____
Title: _____	Title: _____
Address: _____	Address: _____
_____	_____

FRANKNFURTERS FRANCHISING LLC	FRANCHISEE
By: _____	By: _____
Name: _____	Name: _____
Title: _____	Title: _____

Address: _____

Address: _____

**Exhibit E
EFT Preauthorization**

**AUTHORIZATION TO HONOR CHECKS DRAWN BY AND PAYABLE TO:
FRANKNFURTERS FRANCHISING LLC (THE "PAYEE")**

- 1. Bank Account in the Name of: _____
- 2. Store #: _____
- 3. Bank Account Number: _____
- 4. Routing Number: _____

To The Bank Designated:

You are hereby requested and authorized to honor and to charge to the account described checks drawn on such account which are payable to the above named Payee. The name(s) of the depositor(s) on such checks will be printed by standard business machines. It is agreed that your rights with respect to each such check shall be the same as if it bore a signature authorized for such account. It is further agreed that if any such check is not honored, whether with or without cause you shall be under no liability whatsoever. This authorization shall continue in force until revocation in writing is received by you.

- 5. Date: _____
- 6. Name of Franchisee (Please print): _____
 Type of Business: _____
 Executed by: _____
- 7. Full Name of Bank: _____
- 8. Street Address: _____
- 9. City, State and Zip Code: _____

Indemnification Agreement

To The Bank Designated:

In consideration of your compliance with the request and authorization printed on the Authorization Form hereof, the Payee agrees with respect to any such action:

- 1. To indemnify you and hold you harmless from any loss you may suffer as a consequence of your actions resulting from or in connection with the execution and issuance of any check, draft or order, whether or not genuine, purporting to be executed by the Payee and received by you in the regular course of business for the purpose of payment, including any costs or expenses reasonably incurred in connection therewith.
- 2. To indemnify you for any loss arising in the event that any such check, draft or order shall be dishonored, whether with or without cause and whether intentionally or inadvertently.
- 3. To defend at our own cost and expense any action which might be brought by any depositor or any other persons because of your actions taken pursuant to the foregoing request, or in any manner arising by reason of your participation.

NOTICE TO FRANCHISEE:	1. ATTACH ONE VOIDED CHECK HERE.
	2. BE SURE ALL 9 SPACES SHOWN ABOVE ARE COMPLETED.
	3. RETURN ALL THREE COPIES IMMEDIATELY.

Exhibit F
Form of General Release

GENERAL RELEASE

THIS GENERAL RELEASE (“Release”) is executed on _____ by _____ (“Franchisee”) and _____ (“Guarantors”) as a condition of [PICK ONE]: the transfer of a Restaurant between Franchisee and Frankfurters Franchising LLC (“FFL”) [or] renewal of the Franchise Agreement dated _____ (“Franchise Agreement”) between Franchisee and FFL [or] between Franchisee and a new franchisee [or] the termination of the Restaurant Franchise Agreement dated _____ (“Franchise Agreement”) between Franchisee and FFL.

1. **Release by Franchisee and Guarantors.** Franchisee (if Franchisee is an entity, on behalf of itself and its parent, subsidiaries and affiliates and their respective past and present officers, directors, shareholders, agents and employees, in their corporate and individual capacities and, if Franchisee is an individual, on behalf of himself/herself and his/her/their heirs, representatives, successors and assigns) and Guarantors (on behalf of themselves and their respective heirs, representatives, successors and assigns) (collectively, “Franchisee Releasors”) freely and without any influence forever release and covenant not to sue FFL and its parent, subsidiaries and affiliates and their respective past and present officers, directors, members, shareholders, agents and employees, in their corporate and individual capacities, (collectively “FFL Releasees”) with respect to any and all claims, demands, liabilities and causes of action of whatever kind or nature, whether known or unknown, vested or contingent, suspected or unsuspected (collectively, “Claims”), which any Franchisee Releasor ever owned or held, now owns or holds or may in the future own or hold, including, without limitation, claims arising under federal, state and local laws, rules and ordinances and claims arising out of, or relating to the Franchise Agreement and all other agreements between any Franchisee Releasor and any FFL Releasee, arising out of, or relating to any act, omission or event occurring on or before the date of this Release, unless prohibited by applicable law.

IF FRANCHISEE OR GUARANTORS ARE BASED IN CALIFORNIA: Franchisee and Guarantors (on behalf of the Franchisee Releasors) expressly agree that, with respect to this release, any and all rights granted under Section 1542 of the California Civil Code are expressly waived, to the extent applicable. That Section reads as follows:

A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS THAT THE CREDITOR OR RELEASING PARTY DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE, AND THAT IF KNOWN BY HIM OR HER, WOULD HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR OR RELEASED PARTY.

2. **Risk of Changed Facts.** Franchisee and Guarantors understand that the facts in respect of which the Release in Section 1 above is given may turn out to be different from the facts now known or believed by them to be true. Franchisee and Guarantors hereby accept and assume the risk of the facts turning out to be different and agree that the Release shall nevertheless be effective in all respects and not subject to termination or rescission by virtue of any such difference in facts.

3. **No Prior Assignment.** Franchisee and Guarantors represent and warrant that the Franchisee Releasors are the sole owners of all Claims and rights released hereunder and that the Franchisee Releasors have not assigned or transferred, or purported to assign or transfer, to any person or entity, any Claim released under Section 1 above.

4. **Covenant Not to Sue.** Franchisee and Guarantors (on behalf of the Franchisee Releasors) covenant not to initiate, prosecute, encourage, assist, or (except as required by law) participate in any civil, criminal, or administrative proceeding or investigation in any court, agency, or other forum, either affirmatively or

by way of cross-claim, defense, or counterclaim, against any person or entity released under Section 1 above with respect to any Claim released under Section 1 above.

5. **Complete Defense.** Franchisee and Guarantors: (A) acknowledge that this Release shall be a complete defense to any Claim released under Section 1 above; and (B) consent to the entry of a temporary or permanent injunction to prevent or end the assertion of any such Claim.

6. **Successors and Assigns.** This Release will inure to the benefit of and bind the successors, assigns, heirs, and personal representatives of FFL and each Franchisee Releasor.

7. **Governing Law.** This Release and all claims relating to this Release shall be governed by and construed under the law of the State of Arizona. FFL, Franchisee, and Guarantor shall file any controversy or claim whatsoever arising out of or relating to this Release or the enforcement of the promises in this Release or with regard to the interpretation, formation, or breach of this Release in the court where FFL's principal offices are located. FFL may file any controversy or claim whatsoever arising out of or relating to this Release or the enforcement of the promises in this Release or with regard to the interpretation, formation, or breach of this Release in the court where its principal offices are located, where Franchisee or Guarantors reside or do business, or where the claim arose.

8. **Miscellaneous.**

a. This Release constitutes the entire, full, and complete agreement between the parties concerning the release of Claims by the parties and supersedes any and all prior or contemporaneous negotiations, discussions, understandings, or agreements. Except as expressly identified in this Release, no amendment, change or variance from this Release shall be binding on either party unless mutually agreed to by the parties and executed in writing.

b. The masculine gender shall be deemed to refer to and include the feminine and neuter, and the singular to refer to and include the plural, and vice versa.

c. The terms of this Release shall remain confidential and may not be disclosed except when and to the extent necessary to comply with applicable federal, state, or local laws, court orders, or regulations.

d. All terms not defined in this Release shall have the meaning given to them in the Franchise Agreement.

e. All captions in this Release are intended solely for the convenience of the parties, and none shall be deemed to affect the meaning or construction of any provision of this Release.

f. This Release may be executed in counterparts, and each copy so executed and delivered shall be deemed to be an original.

IN WITNESS WHEREOF, Franchisee and Guarantors have executed this Release as of the date shown above.

FRANCHISEE: (if Franchisee is an entity)

By: _____

Name: _____

Title _____

Date _____

GUARANTOR:

[Name]

Date _____

GUARNTOR

[Name]

Date _____

Exhibit G
Franchisor Lease Addendum

FRANCHISOR LEASE ADDENDUM

THIS **FRANCHISOR LEASE ADDENDUM** is entered into this _____ (“**Effective Date**”) by and among Frankfurters Franchising LLC, a Delaware limited liability company with its principal office at 4250 N Drinkwater Blvd, Suite #165, Scottsdale, Arizona 85251 (“**Franchisor**” or “**Assignee**”) _____ with its principal office at _____ (“**Landlord**”) with its principal office at _____; and _____ (“**Lessee**” or “**Assignor**”).

WHEREAS, Landlord has agreed to lease, license, or other make available a restaurant location located at _____ (the “**Premises**”) pursuant to an agreement between Landlord and Lessee dated _____ for use by Lessee as a Frank & Furter’s restaurant (“**Restaurant**”) operated under Franchisor’s system and proprietary marks under a written Franchise Agreement between Franchisor and Lessee as franchisee (“**Franchise Agreement**”).

WHEREAS, under the terms of the Franchise Agreement, all right, title and interest in the lease and this Addendum (“**Lease**”) must be transferred to Franchisor, if Franchisor, in its sole and absolute right, exercises any option to purchase the assets of the Restaurant contained in the Franchise Agreement.

WHEREAS, it is the intent of the parties to provide Franchisor with the opportunity to preserve the Premises as a Restaurant in case of any expiration or termination of the franchise granted in the franchise agreement and to assure Landlord that any defaults under the Lease will be cured before Franchisor takes possession of the Premises; and

WHEREAS, Lessee and Franchisor wish to preserve their rights under the Franchise Agreement as to the Premises, including Franchisor’s right to enter and/or take possession of the Premises to enforce Franchisor’s rights on Lessee’s default under the Lease or the Franchise Agreement.

In consideration of the recitals above and of the terms below, the parties agree:

1. **Default of Lessee under Lease.** Landlord will give Franchisor notice of any default or termination of the Lease concurrently with giving notice to Lessee. If Lessee fails to cure any default within the period provided in the Lease, Landlord will give Franchisor immediate written notice of the failure to cure and Landlord will offer to Franchisor and Franchisor will have the sole and absolute right (but not the obligation), either to cure the default and preserve Lessee’s interest in the Premises and in the Lease, to accept an assignment of the Lease or a new lease containing the same terms of the Lease, as Franchisor elects, or to take no action. If Franchisor elects to continue the use of the Premises under an assignment of the Lease or a new lease, it will so notify Landlord in writing within thirty (30) days after it has received written notice from Landlord specifying the default(s) Lessee has failed to cure within the period specified in the Lease. On receipt of that notice from Franchisor, Landlord will promptly execute and deliver to Franchisor an assignment of the Lease or a new lease, whichever Franchisor requests, and will promptly deliver to Franchisor possession of the Premises, free and clear of any rights of Lessee or any third party. Franchisor, before taking possession of the Premises, will cure the default(s) specified by Landlord in its notice to Franchisor and will execute and deliver to Landlord its acceptance of the assignment of Lease or of a new lease, as the case may be.

2. **Relationship to Franchise Agreement.** Landlord acknowledges that the Lease and/or any new or amended lease executed by the parties will be subject to and consistent with the Franchise Agreement. For example, Landlord must permit Franchisor’s entry onto the Premises for the purpose of enforcing Franchisor’s rights under the Franchise Agreement or for routine visits.

3. **Franchisor's Right to Take Possession of Lessee's Space.** If Lessee defaults on its obligations under the Lease or under the Franchise Agreement, beyond applicable notice and cure periods, Franchisor shall have the right to take possession of the Premises and thereafter Lessee shall have no further rights pursuant to the Lease.

4. **Assignment of Premises to Franchisor.**

a. Lessee, in consideration of the rights granted to Lessee under the Franchise Agreement and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, does hereby absolutely and unconditionally GRANT, CONVEY, ASSIGN, TRANSFER, and SET OVER unto Franchisor all rights, interests and estates of Lessee in, to and under the Lease, together with all renewals and extensions of the Lease and other agreements and all other leases or agreements that may hereafter be entered into which cover all or any portion of the Premises. Franchisor, by acceptance hereof, agrees not to take any action to assert its rights to possession of the Premises demised under the Lease unless and until there shall exist or occur a default of the Franchise Agreement or the Lease by Lessee, if Franchisor purchases the Restaurant from Lessee, or if the franchise agreement between Franchisor and Lessee expires or is terminated for any reason during the term or any extension of the Lease. If Franchisor elects to accept the assignment of the Lease from Lessee, it will give Lessee and Landlord written notice of its election to acquire the leasehold interest. Landlord consents to the assignment of the Lease from Lessee to Franchisor, subject to Lessee's and/or Franchisor's curing of any default(s) of Lessee under the Lease before Franchisor takes possession of the Premises.

b. Lessee grants Franchisor a security interest in and to the Lease, all of the furniture, removable trade, fixtures, inventory, licenses and supplies located in the Premises and the franchise relating to the Restaurant, and all of Lessee's rights, title and interest in and to the Lease as collateral for: (a) the payment of any obligation, liability or other amount owed by Lessee or its affiliates arising under the Lease;

c. for any default or breach of any of the terms and provisions of the Lease; and (c) for any default or breach of any of the terms and provisions of the Franchise Agreement. The term "**Collateral**" shall specifically exclude any items which are fixtures and thus property of the Landlord under applicable law and any personal property or other items owned by Landlord. In the event of a breach or default by Lessee under the terms of the Lease, or in the event we make any payment to the Landlord as a result of your breach of the Lease, then such payment by us, or such breach or default by Lessee, will at our option be deemed to be an immediate default under the Franchise Agreement, and we will be entitled, to possess the Premises and to all of your rights, title and interest in and to the Lease and to all other remedies described herein, in the Franchise Agreement or at law or in equity, without prejudice to any of our other rights or remedies under any other agreements or under other applicable laws or equities. This Assignment will constitute a lien on your interest in and to the Lease until satisfaction in full of all amounts owed by Lessee to us.

d. Franchisor's rights, as provided by this Assignment, to assume the Lease is totally optional on our part, to be exercised in our sole discretion. Franchisee will execute any and all Uniform Commercial Code financing statements and all other documents and instruments deemed necessary by Franchisor to perfect or document the interests and assignments granted herein.

e. If Franchisor exercises its rights under this Agreement, Landlord shall take all action necessary to retake the Premises (such action including termination, eviction, and legal action) and to grant Franchisor the rights contemplated by this Agreement. If Franchisor takes possession of the Premises and assumes the Lease as Lessee thereunder, Landlord shall be required to recognize the Franchisor as tenant under the Lease. Landlord agrees that Franchisor may further assign the lease to any person or entity that qualifies as a franchisee of Franchisor, who as part of such assignment, shall agree to assume Lessee's

obligations under the Lease. The parties agree that the Premises must only be used for the operation of a Restaurant, and that Lessee may not sublease or assign all or any part of its occupancy rights without Franchisor's prior written approval.

5. **Obligations of Franchisor.** The parties acknowledge that the Lease does not create any rights against or obligations of Franchisor unless specifically stated in this Addendum.

6. **Power of Attorney.** Lessee irrevocably appoint Franchisor as your true and lawful attorney-in- fact and authorize Franchisor, upon any default under the Lease or under the Franchise Agreement, with or without taking possession of the Premises, to operate, rent, lease, and manage the Premises to or by any person, firm or corporation upon such terms and conditions as we may determine in our discretion, and with the same rights and powers and immunities, exoneration of liability and rights of recourse and indemnity as we would have upon taking possession of the Premises pursuant to the provisions set forth in the Lease and this Assignment. The power of attorney conferred upon us pursuant to this Assignment is a power coupled with an interest and cannot be revoked, modified, or altered without our written consent.

7. **Election of Remedies.** The provisions set forth in this Assignment will be deemed a special remedy given to Franchisor and will not be deemed to exclude any of the remedies granted in the Franchise Agreement or any other agreement between Lessee and Franchisor but will be deemed an additional remedy and will be cumulative with the remedies therein and elsewhere granted to Franchisor, all of which remedies will be enforceable concurrently or successively. No exercise by Franchisor or any of the rights hereunder will cure, waive, or affect any default hereunder or default under the Franchise Agreement. No inaction or partial exercise of rights by Franchisor will be construed as a waiver of any of our rights and remedies and no waiver by Franchisor of any such rights and remedies will be construed as a waiver by Franchisor of any future rights and remedies.

8. **Display of Marks.** Landlord agrees that Lessee and/or Franchisor may display Franchisor's and/or its licensor's marks according to Franchisor's specifications as modified from time to time by Franchisor in its sole and absolute right, subject to the provisions of applicable law and community standards.

9. **Right to Information.** Landlord agrees to provide to Franchisor, on request, information regarding the Restaurant or the Lease, including any information furnished to Landlord by Lessee.

10. **Delivery of Lease; Franchisor's Prior Written Approval.** Landlord and Lessee agree to deliver the Lease in executed form to Franchisor within five (5) days after execution.

11. **Waiver.** Failure of Franchisor to enforce or exercise any of its rights under this Addendum will not constitute a waiver of those rights or a waiver of any subsequent enforcement or exercise of its rights under this Addendum.

12. **Execution of Documents.** The parties agree to execute all documents or agreements and to take all action as may be necessary or desirable to effectuate the terms of this Addendum.

13. **Amendment of Lease.** Landlord and Lessee agree not to amend, modify, or waive the terms of the Lease in any respect that would adversely affect Franchisor's rights without the prior written consent of Franchisor.

14. **Vacation of Premises.** Lessee agrees to peaceably and promptly vacate the Premises and to remove its personal property on the repurchase, termination, or expiration of the Franchise Agreement or on Lessee's failure to timely cure defaults under the Lease or Franchise Agreement. Any property not so removed within ten (10) days after Lessee vacates the Premises will be deemed abandoned.

15. **Lessee's Liability.** Lessee will remain liable for all of its obligations under the Lease regardless of the assignment of the Lease to Franchisor or the execution of a new lease between Franchisor and Landlord, and Franchisor will be entitled to recover from Lessee all amounts it has paid to Landlord to cure any default(s) by Lessee under the Lease.

16. **Notices.** All notices will be mailed by certified mail to the addresses described in this Addendum or to such other addresses as the parties may, by written notice, designate. Such notices will be deemed to be given three (3) days after being mailed.

17. **Binding Effect.** This Addendum will be binding on the parties, their heirs, executors, successors, assigns and legal representatives.

18. **Severability.** If any provision of this Addendum or any part is declared invalid by any court of competent jurisdiction, the provision will not affect the validity of this Addendum, and the remainder of this Addendum will remain in effect according to the terms of the remaining provisions or parts of provisions of this Addendum.

19. **Remedies.** The rights and remedies created under this Addendum will be deemed cumulative and none of the rights or remedies will be exclusive at law or in equity of the rights and remedies which Franchisor may have under this Addendum or any other agreement to which Franchisor and Lessee are parties.

20. **Attorneys' Fees.** If any action is instituted by any party to enforce any provision of this Addendum, the prevailing party will be entitled to recover its ~~reasonable~~ attorneys' fees and costs incurred in the action.

21. **Construction.** This Addendum will be governed by and interpreted under the laws of Arizona without application of the choice of laws provisions of Arizona or any other jurisdiction.

SIGNATURES ON FOLLOWING PAGE

Each of the undersigned agrees to the terms of this Addendum, effective the day and year first above written.

LESSOR:

FRANCHISEE (ASSIGNOR):

By: _____

By: _____

Name: _____

Name: _____

Title _____

Title _____

Date _____

Date _____

FRANCHISEE (ASSIGNEE):

By: _____

Name: _____

Title _____

Date _____

**Exhibit H
Table of Contents of Confidential Operations Manual**



Table Of Contents – Frankfurters Franchising LLC Franchise Operations Manual

Introduction.....1

- The Purpose of the Manual.....4
- How To Use the Manual.....4
- The Frank & Furter’s Brand Purpose 5
- The Frank & Furter’s Brand Promise..... -6
- The Frank & Furter’s Values..... 8
- The Leadership Team.....9

The Franchisee and Franchisor Relationship11

- Creating Your Business Entity12
 - Naming and Identification13
 - Tax Identification Numbers.....13
- Independently Owned And Operated.....14
- Your Obligations15
- Audits and Inspections.....15
- Post-Opening Obligations.....16
- Pre-Opening Obligations.....18
- Pricing.....20
- Training.....21

- Our Responsibilities.....2
3

Brand Guidelines

- Advertising Fund.....24
- Grand Opening24
- Marketing – Local Store Marketing Requirements25
- Proper Use of Trademarks.....26
- Social Media.....27
- Style Guide – Fonts - Logos28
- Website – Microsites30

Crisis Management

- Crisis Preparedness Handling Initial Media Queries.....31
- Media Inquiries32
- Foodborne Illness Incident Report.....33
- Incident Reports34
- Risk Management35
- What To Do In the Event of A Robbery.....36
- Workplace Security38
- Non-Related Incident and Accident Report Sample.....39

Customer Service

- Cashier Procedures.....40
- Credit Card and Cash Handling.....41
- Customer Service Etiquette42
- Expo And Shake Stations.....43
- Take-Out/Delivery Services44
- Order Taking.....46

- Suggested Banking Procedures47

Employee Roles

- Cooks.....48
- Customer Service.....49
- Managers.....50
- Serving Alcohol Guidelines.....52
- Shift Change.....53

Equipment Specification and Operation

- Beverage Dispenser.....54
- CVAP.....55
- Fryer – Vegan.....56
- Fryer – Meat.....57
- Flap Top.....58
- Hot Station.....59
- Shake/Soft Serve Machine.....60
- Toaster.....61
- Flat Warmer.....62

Finance

- KPIs.....63
- Risk Management.....65
- Data Security.....66
- Credit Cards – Gift Cards.....67
- Royalty Collection.....68
- P&L Requirements.....69
- Technology Fee.....70
- Insurance Requirements.....71

- Register (POS) Closing and Opening82
- Safes.....73

Food Safety

- Cleaning Procedures.....74
- Dishwashing.....76
- FIFO - Rotation.....77
- General Cleaning and Sanitation78
- Hand Washing.....80
- Preventing Cross-Contamination81
- Product Handling.....83
- Product Shelf Life85
- Required Food Safety Certification.....86
- Sanitizing Food Contact Surfaces.....88
- Storage Temperatures89
- Thermometer Calibration and Use.....90

Operations

- Assembly Station91
- Cold Table.....93
- Cold Table Set Up – Sauces and Cheeses.....94
- C-VAP96
- Food Cost/Cost of Goods Sold.....97
- Food Storage99
- Grill Station.....101
- Hot Table Set Up.....103
- Hours Of Operation.....105
- Inventory106
- Line Set Up.....108
- Management Paperwork.....110
- Opening, Mid-Day, And Closing Checklists.....112
- Order Guide.....114
- Prep Procedures116
- Prep, Line-Operations118
- Station Training.....122
- Storage Guidelines.....125
- Under Grill Refrigerator.....127
- Waste Log.....130

Ordering, Inventory, Production Forms

- Food Distributors.....131
- Inventory133
- Ordering (Order Guide)135
- Ordering Process.....137
- Paper Goods.....138
- Par Levels.....139
- Prep List.....140

- Transfer Log.....141
- Waste Log.....142

Paper and To-Go Supplies

- Kids Cup.....143
- Large Cups and Lids.....143
- Milkshake Cups – Dome Lid144
- Straws.....145
- Take-Out Containers146
- Water Cup.....147

Recipes

- Frank’s All Beef.....148
- Furter’s Sausage & Stuff.....150
- Field Roast.....152
- Build It Yourself.....154
- Corn Dogs.....157
- Burgers.....159
- Fresh Cut Fries and Sides.....161
- Shake It Up.....165
- Kids Menu.....168
- Beverages.....170
- Desserts171
- Beer172
- Wine.....172

Restaurant Development and Opening

- Site Selection Criteria.....173
 - Approved Architects.....173
 - Drawings.....174
 - Project Management Firms.....175
- Site Approval Opening.....176
- Design Review.....176
- Construction177
 - Signage178
 - Build Out.....180

Restaurant Sanitation

- Proper Use of Chemicals.....192
- General Cleaning and Sanitation194
- Floors.....197
- Restrooms.....199

Vendors

- Approved Products.....201
- Designated And Approved Suppliers.....208
- Equipment Specs.....214
- Food Brands221

- Maintenance230
- Music.....235
- Paper Products.....236
- Required Equipment.....239
- Software.....242

Exhibit I
State Specific Disclosures and Addendums to Franchise Agreement

STATE SPECIFIC DISCLOSURES

ADDITIONAL DISCLOSURE DOCUMENT DISCLOSURES REQUIRED BY THE STATE OF CALIFORNIA, ILLINOIS, INDIANA, MARYLAND, MICHIGAN, VIRGINIA, AND WISCONSIN

No Waiver of Disclaimer of Reliance in Certain States. The following provision applies only to franchisees and franchises that are subject to the state franchise disclosure laws in California, Illinois, Indiana, Maryland, Michigan, Virginia, or Wisconsin:

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 any other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

ADDITIONAL DISCLOSURE DOCUMENT DISCLOSURES REQUIRED BY THE STATE OF CALIFORNIA

Registration of this franchise does not constitute approval, recommendation, or endorsement by the Commissioner.

1. SECTION 31125 OF THE CALIFORNIA CORPORATIONS CODE REQUIRES US TO GIVE YOU A DISCLOSURE DOCUMENT, IN A FORM CONTAINING THE INFORMATION THAT THE COMMISSIONER MAY BY RULE OR ORDER REQUIRE, BEFORE A SOLICITATION OF A PROPOSED MATERIAL MODIFICATION OF AN EXISTING FRANCHISE.

THE CALIFORNIA FRANCHISE INVESTMENT LAW REQUIRES THAT A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE BE DELIVERED TOGETHER WITH THE DISCLOSURE DOCUMENT AT LEAST 14 DAY PRIOR TO EXECUTION OF AGREEMENT.

OUR WEBSITE, <https://www.frank-furters.com/>, -HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATIONS. ANY COMPLAINTS CONCERNING THE CONTENTS OF THIS WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATIONS AT WWW.DFPL.CA.GOV.

COVER PAGE, RISK FACTOR:

Spousal Liability: Your spouse will be liable for all financial obligations under the franchise agreement even though your spouse has no ownership interest in the franchise. This guarantee will place both your and your spouse's marital and personal assets, perhaps including your house, at risk if your franchise fails.

ITEM 3, LITIGATION.

The following statement is added to Item 3:

Neither Franchisor nor any person listed in Item 2 is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities Exchange Act of 1934, 15 U.S.C.A. 78a *et seq.*, suspending or expelling such parties from membership in

such association or exchange.

ITEM 6, OTHER FEES.

The highest interest rate allowed in California is ten percent (10%) per annum.

ITEM 17, ADDITIONAL DISCLOSURES.

The following statements are added to Item 17:

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

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

Section 31512.1 Franchise Agreement Provisions Void as Contrary to Public Policy:

Any provision of a franchise agreement, franchise disclosure document, acknowledgement, questionnaire, or other writing, including any exhibit thereto, disclaiming or denying any of the following shall be deemed contrary to public policy and shall be void and unenforceable:

- (a) Representations made by the franchisor or its personnel or agents to a prospective franchisee.
- (b) Reliance by a franchisee on any representations made by the franchisor or its personnel or agents.
- (c) Reliance by a franchisee on the franchise disclosure document, including any exhibit thereto.
- (d) Violations of any provision of this division

You must sign a general release if you transfer or renew your franchise. These provisions may not be enforceable under California law. California Corporations Code Section 31512 voids a waiver of your rights under the Franchise Investment Law (California Corporations Code Sections 31000 through 31516). Business and Professions Code Section 21000 voids a waiver of your rights under the Franchise Relations Act (Business and Professions Code Sections 20000 through 20043).

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

ADDITIONAL DISCLOSURE DOCUMENT DISCLOSURES REQUIRED BY THE STATE OF ILLINOIS

1. Illinois law governs the agreements between the parties to this franchise.
2. ~~The following is added to the Special Risks to Consider About This Franchise page of the Disclosure Document as additional Risk Factors:~~

~~**Short Operating History.** This Franchisor is at an early stage of development and has a limited operating history. This franchise is likely to be a riskier investment than a franchise with a longer operating~~

history.

~~**Supplier Control.** You must purchase all or nearly all of the inventory & supplies necessary to operate your business from Franchisor, its affiliates, or from suppliers that Franchisor designates at prices that the Franchisor or they set. These prices may be higher than prices you could obtain elsewhere for the same or similar goods. This may reduce the anticipated profit of your franchised business.~~

3. Section 4 of the Illinois Franchise Disclosure Act provides that any provision in a franchise agreement or development agreement that designates jurisdiction or venue in a forum outside of Illinois is void with respect to any action which is otherwise enforceable in Illinois.

43. Section 41 of the Illinois Franchise Disclosure Act provides that any condition, stipulation, or provision purporting to bind any person acquiring any franchise to waive compliance with the Illinois Franchise Disclosure Act or any other law of that Illinois is void.

54. ~~The conditions under which your Franchise Agreement and/or Development Agreement to the Franchise Agreement can be terminated and~~ Your rights upon nonrenewal may be affected by Termination and Non-Renewal of an agreement are set forth in Sections 19 and 20 of the Illinois Franchise Disclosure Act.

6. ~~Each provision of these Additional Disclosures shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Illinois Franchise Disclosure Act are met independently without reference to these Additional Disclosures. The Additional Disclosures shall have no force or effect if such jurisdictional requirements are not met.~~

75. For info about obtaining a liquor license in Illinois, see: <https://www2.illinois.gov/ilcc/Pages/Forms-and-Applications.aspx>

86. For info about obtaining TIPS certification. in Illinois, see: <https://www.tips-certified.com/tips-state-pages/illinois/>

7. By reading this disclosure document, you are not agreeing to, acknowledging, or making any representations whatsoever to the Franchisor and its affiliates.

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

ADDITIONAL DISCLOSURE DOCUMENT DISCLOSURES REQUIRED BY THE STATE OF INDIANA

1. The laws of the State of Indiana supersede any provisions of this Disclosure Document, the Franchise Agreement, the Development Agreement to the Franchise Agreement, the other agreements, or Arizona law if such provisions are in conflict with Indiana law.

2. The prohibition by Indiana Code 23-2-2.701(7) against unilateral termination of the Franchise Agreement and/or Development Agreement to the Franchise Agreement without good cause or in bad faith, good cause being defined therein as a material breach of the Franchise Agreement and/or Development Agreement to the Franchise Agreement, shall supersede the provisions of Section 16 of the Franchise

Agreement and/or Section 8 of the Development Agreement to the Franchise Agreement in the state of Indiana, but only to the extent that they may be inconsistent with such prohibition.

3. Notwithstanding anything to the contrary in the Franchise Agreement and/or Development Agreement to the Franchise Agreement, you recognize that in the event of any use of the System not in accord with such agreement, we shall be entitled to injunctive and other relief.

4. No release language set forth in the Disclosure Document, Franchise Agreement, or Development Agreement to the Franchise Agreement, including but not limited to Item 17, or Sections ~~16(B)(9)~~ and ~~17~~16(B)(9) and 17 of the Franchise Agreement respectively, shall relieve us or any other person, directly or indirectly, from liability imposed by the laws concerning franchising of the State of Indiana.

5. Section ~~27(B)~~27(B) of the Franchise Agreement is amended to provide that the Franchise Agreement will be construed in accordance with the laws of the State of Indiana.

6. Any provision in the Disclosure Document, the Franchise Agreement, or Development Agreement to the Franchise Agreement which designates jurisdiction or venue, or requires franchisee to agree to jurisdiction or venue, in a forum outside of Indiana, may not be enforceable.

7. The second sentence of Section ~~27(D)~~27(D) (Waiver of Certain Damages and Rights) of the Franchise Agreement is deleted from all agreements entered into in Indiana.

**ADDITIONAL DISCLOSURE DOCUMENT DISCLOSURES
REQUIRED BY THE STATE OF HAWAII**

THESE FRANCHISES WILL BE/HAVE BEEN FILED UNDER THE FRANCHISE INVESTMENT LAW OF THE STATE OF HAWAII. FILING DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION OR ENDORSEMENT BY THE DIRECTOR OF REGULATORY AGENCIES OR A FINDING BY THE DIRECTOR OF REGULATORY AGENCIES THAT THE INFORMATION PROVIDED HEREIN IS TRUE, COMPLETE AND NOT MISLEADING.

THE FRANCHISE INVESTMENT LAW MAKES IT UNLAWFUL TO OFFER OR SELL ANY FRANCHISE IN THIS STATE WITHOUT FIRST PROVIDING TO THE PROSPECTIVE FRANCHISEE, OR SUBFRANCHISOR, AT LEAST SEVEN DAYS PRIOR TO THE EXECUTION BY THE PROSPECTIVE FRANCHISEE OF ANY BINDING FRANCHISE OR OTHER AGREEMENT, OR AT LEAST SEVEN DAYS PRIOR TO THE PAYMENT OF ANY CONSIDERATION BY THE FRANCHISEE, OR SUBFRANCHISOR, WHICHEVER OCCURS FIRST, A COPY OF THE OFFERING CIRCULAR, TOGETHER WITH A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE.

THIS OFFERING CIRCULAR CONTAINS A SUMMARY ONLY OF CERTAIN MATERIAL PROVISIONS OF THE FRANCHISE AGREEMENT. THE CONTRACT OR AGREEMENT SHOULD BE REFERRED TO FOR A STATEMENT OF ALL RIGHTS, CONDITIONS, RESTRICTIONS AND OBLIGATIONS OF BOTH THE FRANCHISOR AND THE FRANCHISEE.

**ADDITIONAL DISCLOSURE DOCUMENT DISCLOSURES
REQUIRED BY THE STATE OF MARYLAND**

Item 5, Initial Fees. The following statement is added to Item 5:

Based upon the franchisor's financial condition, the Maryland Securities Commissioner has required financial assurance. Therefore, all initial fees and payments owed by franchisees shall be deferred until the franchisor completes its pre-opening obligations under the Franchise Agreement.

In addition, all development fees and initial payments by Developer shall be deferred until the first franchise under the Development Agreement opens.

Item 17, Additional Disclosures. The following statements are added to Item 17:

Any provision requiring you to sign a general release of claims against franchisor, including upon signing the franchise and renewal or transfer, does not release any claim you may have under the Maryland Franchise Registration and Disclosure Law.

Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within three (3) years after the grant of the franchise.

A franchisee may bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.

The franchise agreement and development agreement rider to franchise agreement provide for termination upon bankruptcy. These provisions may not be enforceable under federal bankruptcy law.

Each provision of these Additional Disclosures shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Maryland Franchise Registration and Disclosure Law are met independently without reference to these Additional Disclosures. The Additional Disclosures shall have no force or effect if such jurisdictional requirements are not met.

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

Based upon the franchisor's financial condition, the Maryland Securities Commissioner has required financial assurance. Therefore, all initial fees and payments owed by franchisees shall be deferred until the franchisor completes its pre-opening obligations under the franchise agreement. In addition, all development fees and initial payments by area developers shall be deferred until the first franchise under the development agreement opens.

FOR MICHIGAN RESIDENTS AND FRANCHISEES WHOSE FRANCHISES WILL BE OPERATED IN MICHIGAN ONLY

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

1. A prohibition on the right of a franchisee to join an association of franchisees.
2. A requirement that a franchisee assent to a release, assignment, novation, waiver, or estoppel which deprives a franchisee of rights and protections provided in the Michigan Investment Law. This shall not preclude a franchisee, after entering into a franchise agreement, from setting any and all claims.

3. A provision that permits a franchisor to terminate a franchise prior to the expiration of its term except for good cause. Good cause shall include the failure of the franchisee to comply with any lawful provision of the Franchise Agreement and to cure such failure after being given written notice thereof and a reasonable opportunity, which in no event need be more than thirty (30) days, to cure such failure.

4. A provision that permits a franchisor to refuse to renew a franchise without fairly compensating the franchisee by repurchase or other means for the fair market value, at the time of expiration, of the franchisee's inventory, supplies, equipment, fixtures, and furnishings. Personalized materials which have no value to the Franchisor and inventory, supplies and equipment, fixtures and furnishings not reasonably required in the conduct of the Restaurant are not subject to compensation. This paragraph applies only if: (a) the term of the franchise is less than five (5) years and (b) the franchisee is prohibited by the franchise or other agreement from continuing to conduct substantially the same business under another trademark, service mark, trade name, logotype, advertising or other commercial symbol in the same area subsequent to the expiration of the franchise or the franchisee does not receive at least six (6) months advance notice of Franchisor's intent not to renew the franchise.

5. A provision that permits the Franchisor to refuse to renew a franchise on terms generally available to other franchisees of the same class or type under similar circumstances. This paragraph does not require a renewal provision.

6. A provision requiring that arbitration or litigation be conducted outside the State of Michigan. This shall not preclude the franchisee from entering into an agreement, at the time of arbitration, to conduct arbitration at a location outside the State of Michigan.

7. A provision which permits a franchisor to refuse to permit a transfer of ownership of a franchise, except for good cause. This paragraph does not prevent a franchisor from exercising the right of first refusal to purchase the franchise. Good cause shall include, but is not limited to:

a. The failure of the proposed Transferee to meet the Franchisor's then current reasonable qualifications or standards.

b. The fact that the proposed Transferee is a competitor of the Franchisor or subfranchisor.

c. The unwillingness of the proposed Transferee to agree in writing to comply with all lawful obligations.

d. The failure of the franchisee or proposed Transferee to pay any sums owing to the Franchisor or to cure any default in the franchise agreement existing at the time of the proposed transfer.

8. A provision that requires the franchisee to resell to the Franchisor items that are not uniquely identified with the Franchisor. This paragraph does not prohibit a provision that grants to a franchisor a right of first refusal to purchase the assets of a franchise on the same terms and conditions as a bona fide third party willing and able to purchase those assets, nor does this paragraph prohibit a provision that grants the Franchisor the right to acquire the assets of a franchise for the market or appraised value of such assets if the franchisee has breached the lawful provisions of the franchise agreement and has failed to cure the breach in the manner provided in paragraph 3 above.

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

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

Any questions regarding this notice should be directed to the Michigan Consumer Protection Division of the Department of the Attorney General, whose address is 670 Law Building, Lansing, Michigan 48913, and whose telephone number is (517) 373-7117.

**ADDITIONAL DISCLOSURE DOCUMENT DISCLOSURES
REQUIRED BY THE STATE OF NEW YORK**

3. The following information is added to the cover page of the Franchise Disclosure Document:

INFORMATION COMPARING FRANCHISORS IS AVAILABLE. CALL THE STATE ADMINISTRATORS LISTED IN EXHIBIT A OR YOUR PUBLIC LIBRARY FOR SERVICES OR INFORMATION. REGISTRATION OF THIS FRANCHISE BY NEW YORK STATE DOES NOT MEAN THAT NEW YORK STATE RECOMMENDS IT OR HAS VERIFIED THE INFORMATION IN THIS FRANCHISE DISCLOSURE DOCUMENT. IF YOU LEARN ANYTHING IN THIS FRANCHISE DISCLOSURE DOCUMENT IS UNTRUE, CONTACT THE FEDERAL TRADE COMMISSION AND THE APPROPRIATE STATE OR PROVINCIAL AUTHORITY. THE FRANCHISOR MAY, IF IT CHOOSES, NEGOTIATE WITH YOU ABOUT ITEMS COVERED IN THE FRANCHISE DISCLOSURE DOCUMENT. HOWEVER, THE FRANCHISOR CAN NOT USE THE NEGOTIATING PROCESS TO PREVAIL UPON A PROSPECTIVE FRANCHISEE TO ACCEPT TERMS THAT ARE LESS FAVORABLE THAN THOSE SET FORTH IN THIS FRANCHISE DISCLOSURE DOCUMENT.

4. The following is to be added at the end of Item 3:

With the exception of what is stated above, the following applies to the franchisor, its predecessor, a person identified in Item 2, or an affiliate offering franchises under the franchisor's principal trademark:

- E. No such party has an administrative, criminal, or civil action pending against that person alleging: a felony, a violation of a franchise, antitrust, or securities law, fraud, embezzlement, fraudulent conversion, misappropriation of property, unfair or deceptive practices, or comparable civil or misdemeanor allegations.
- F. No such party has pending actions, other than routine litigation incidental to the business, which are significant in the context of the number of franchisees and the size, nature, or financial condition of the franchise system or its business operations.
- G. No such party has been convicted of a felony or pleaded nolo contendere to a felony charge or, within the 10-year period immediately preceding the application for registration, has been convicted of or pleaded nolo contendere to a misdemeanor charge or has been the subject of a civil action alleging: violation of a franchise, antifraud, or securities law; fraud; embezzlement; fraudulent conversion or misappropriation of property; or unfair or deceptive practices or comparable allegations.
- H. No such party is subject to a currently effective injunctive or restrictive order or decree relating to the franchise, or under a Federal, State, or Canadian franchise, securities, antitrust, trade regulation, or trade practice law, resulting from a concluded or pending action or proceeding brought by a public agency; or is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities and Exchange Act of 1934, suspending or expelling such person from membership in such

association or exchange; or is subject to a currently effective injunctive or restrictive order relating to any other business activity as a result of an action brought by a public agency or department, including, without limitation, actions affecting a license as a real estate broker or sales agent.

8. The following is added to the end of the "Summary" sections of Item 17(c), titled "**Requirements for a franchisee to renew or extend**," and Item 17(m), entitled "**Conditions for franchisor approval of transfer**":

However, to the extent required by applicable law, all rights you enjoy and any causes of action arising in your favor from the provisions of Article 33 of the General Business Law of the State of New York and the regulations issued thereunder shall remain in force; it being the intent of this proviso that the non-waiver provisions of General Business Law Sections 687(4) and 687(5) be satisfied.

9. 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.

10. 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

11. 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.

12. 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.

ADDITIONAL DISCLOSURE DOCUMENT DISCLOSURES REQUIRED BY THE STATE OF NORTH DAKOTA

Item 17(c) of the Disclosure Document contains a provision requiring a general release as a condition of renewal or transfer of the franchise. Such release is subject to and will exclude claims arising under the North Dakota Franchise Investment Law.

Item 17(i) of the Disclosure Document

Item 17(r) of the Disclosure Document is amended to add that covenants not to compete on termination or expiration of a Franchise Agreement are generally not enforceable in the State of North Dakota except in limited circumstances provided by North Dakota law.

The Franchise Agreement requires that you consent to the jurisdiction of a court in close proximity to our

principal executive offices. This provision may not be enforceable under North Dakota law because North Dakota law precludes you from consenting to jurisdiction of any court outside of North Dakota.

Although the Franchise Agreement provides that it will be governed by and construed in accordance with the laws of the State of Arizona, we agree that the laws of the State of North Dakota will govern the construction and interpretation of the Franchise Agreement.

Although the Franchise Agreement requires the franchisee to consent to a waiver of trial by jury, the Commissioner has determined that a requirement requiring the waiver of a trial by jury to be unfair, unjust and inequitable within the intent of Section 51-19-09 of the North Dakota Franchise Investment Law. This provision is not enforceable in North Dakota.

To the extent any provision of the Franchise Agreement requires you to consent to a waiver of exemplary or punitive damages, the provision will be deemed null and void.

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

Based upon the franchisor's financial condition, the state of North Dakota has required a financial assurance. Therefore, all initial fees and payments owed by franchisees shall be deferred until the franchisor completes its pre-opening obligations under the franchise agreement.

**ADDITIONAL DISCLOSURE DOCUMENT DISCLOSURE
REQUIRED BY THE STATE OF SOUTH DAKOTA**

Based upon the franchisor's financial condition, the South Dakota Securities Regulation Office has required a financial assurance. Therefore, all initial fees and payments owed by franchisees shall be deferred until the franchisor completes its pre-opening obligations under the franchise agreement.

**ADDITIONAL DISCLOSURE DOCUMENT DISCLOSURE
REQUIRED BY THE STATE OF VIRGINIA**

The following is added to Item 17 h:

Pursuant to Section 13.1-564 of the Virginia Retail Franchising Act (the "Virginia Act"), it is unlawful for a franchisor to cancel a franchise without reasonable cause. If any grounds for default or termination stated in the Franchise Agreement and/or the Development Agreement to the Franchise Agreement do not constitute reasonable cause, as that term may be defined in the Virginia Act or the laws of Virginia, that provision may not be enforceable.

**ADDITIONAL DISCLOSURE DOCUMENT DISCLOSURE
REQUIRED BY THE STATE OF WASHINGTON**

In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, Chapter 19.100 RCW will prevail.

RCW 19.100.180 may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise. There may also be court decisions which may

supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise.

In any arbitration or mediation involving a franchise purchased in Washington, the arbitration or mediation site will be either in the state of Washington, or in a place mutually agreed upon at the time of the arbitration or mediation, or as determined by the arbitrator or mediator at the time of arbitration or mediation. In addition, if litigation is not precluded by the franchise agreement, a franchisee may bring an action or proceeding arising out of or in connection with the sale of franchises, or a violation of the Washington Franchise Investment Protection Act, in Washington.

A release or waiver of rights executed by a franchisee may not include rights under the Washington Franchise Investment Protection Act or any rule or order thereunder except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel. Provisions such as those which unreasonably restrict or limit the statute of limitations period for claims under the Act, or rights or remedies under the Act such as a right to a jury trial, may not be enforceable.

Transfer fees are collectable to the extent that they reflect the franchisor's estimated or actual costs in effecting a transfer.

Pursuant to RCW 49.62.020, a noncompetition covenant is void and unenforceable against an employee, including an employee of a franchisee, unless the employee's earnings from the party seeking enforcement, when annualized, exceed \$100,000 per year (an amount that will be adjusted annually for inflation). In addition, a noncompetition covenant is void and unenforceable against an independent contractor of a franchisee under RCW 49.62.030 unless the independent contractor's earnings from the party seeking enforcement, when annualized, exceed \$250,000 per year (an amount that will be adjusted annually for inflation). As a result, any provisions contained in the franchise agreement or elsewhere that conflict with these limitations are void and unenforceable in Washington.

RCW 49.62.060 prohibits a franchisor from restricting, restraining, or prohibiting a franchisee from (i) soliciting or hiring any employee of a franchisee of the same franchisor or (ii) soliciting or hiring any employee of the franchisor. As a result, any such provisions contained in the franchise agreement or elsewhere are void and unenforceable in Washington.

The State of Washington has imposed a financial condition under which the initial franchise fees due will be deferred until the franchisor has fulfilled its initial pre-opening obligations under the Franchise Agreement and the franchise is open for business. Because the Franchisor has material pre-opening obligations with respect to each franchised business the Franchisee opens under the Development Agreement, the State of Washington will require that the franchise fees be released prorated proportionally with respect to each franchised business.

Pursuant to RCW 19.100.010, a franchisee who receives financial incentives to refer franchise prospects to the Franchisor may be required to register as franchise brokers under the laws of Washington State.

The franchisor [uses/may use] the services of franchise brokers to assist it in selling franchises. A franchise broker represents the franchisor and is paid a fee for referring prospects to the franchisor and/or selling the franchise. Do not rely only on the information provided by a franchise broker about a franchise. Do your own investigation by contacting the franchisor's current and former franchisees to ask them about their experience with the franchisor.

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

Pursuant to RCW 19.100, the General Release does not apply with respect to claims arising under the Washington Franchise Investment Protection Act, and the rules adopted thereunder.

Exhibit J
Financial Statements



CliftonLarsonAllen LLP
CLAconnect.com

INDEPENDENT AUDITORS' ACKNOWLEDGMENT

Frankfurters Franchising LLC
Scottsdale, Arizona

We agree to the inclusion in the Franchise Disclosure Document dated April 30, 2025, issued by Frankfurters Franchising LLC (Franchisor) of our report dated April 28, 2025, relating to the financial statements of Franchisor as of December 31, 2024 and January 31, 2024, and for the period February 1, 2024 through December 31, 2024.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Phoenix, Arizona
April 30, 2025

FRANKNFURTERS FRANCHISING LLC
FINANCIAL STATEMENTS
PERIOD FROM FEBRUARY 1, 2024 THROUGH
DECEMBER 31, 2024 AND
JANUARY 31, 2024



CPAs | CONSULTANTS | WEALTH ADVISORS

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**FRANKNFURTERS FRANCHISING LLC
TABLE OF CONTENTS
PERIOD FROM FEBRUARY 1, 2024 THROUGH DECEMBER 31, 2024
AND JANUARY 31, 2024**

INDEPENDENT AUDITORS' REPORT	1
FINANCIAL STATEMENTS	
BALANCE SHEETS	3
STATEMENT OF OPERATIONS AND MEMBER'S EQUITY	4
STATEMENT OF CASH FLOWS	5
NOTES TO FINANCIAL STATEMENTS	6



INDEPENDENT AUDITORS' REPORT

Member
Frankfurters Franchising LLC
Scottsdale, Arizona

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Frankfurters Franchising LLC, which comprise the balance sheets as of December 31, 2024 and January 31, 2024, and the related statements of operations and member's equity, and cash flows for the period from February 1, 2024 through December 31, 2024, and the related notes to the financial statements.

In our opinion, the financial statements referred to above presents fairly, in all material respects, the financial position of Frankfurters Franchising LLC as of December 31, 2024 and January 31, 2024, and the results of its operations and its cash flows for the period from February 1, 2024 through December 31, 2024, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statement section of our report. We are required to be independent of Frankfurters Franchising LLC and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 the 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 Frankfurters Franchising LLC's ability to continue as a going concern for one year after the date the financial statement is available to be issued.

Auditors' 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 GAAS 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 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 statement.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statement.
- 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 Frankfurters Franchising LLC'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 statement.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Frankfurters Franchising LLC'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.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Phoenix, Arizona
April 28, 2025

**FRANKNFURTERS FRANCHISING LLC
BALANCE SHEETS
DECEMBER 31, 2024 AND JANUARY 31, 2024**

	<u>December 31, 2024</u>	<u>January 31, 2024</u>
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 253,947	\$ 250,000
Prepaid Expenses	18,355	-
Total Current Assets	<u>272,302</u>	<u>250,000</u>
PROPERTY AND EQUIPMENT, NET		
	<u>15,943</u>	<u>-</u>
Total Assets	<u><u>\$ 288,245</u></u>	<u><u>\$ 250,000</u></u>
LIABILITIES AND MEMBER'S EQUITY		
CURRENT LIABILITIES		
Due to Parent	<u>\$ 40,703</u>	<u>\$ -</u>
Total Current Liabilities	<u>40,703</u>	<u>-</u>
Total Liabilities	40,703	-
MEMBER'S EQUITY		
	<u>247,542</u>	<u>250,000</u>
Total Liabilities and Member's Equity	<u><u>\$ 288,245</u></u>	<u><u>\$ 250,000</u></u>

See accompanying Notes to Financial Statement.

**FRANKNFURTERS FRANCHISING LLC
STATEMENT OF OPERATIONS AND MEMBER'S EQUITY
PERIOD FROM FEBRUARY 1, 2024 TO DECEMBER 31, 2024**

REVENUE	\$ -
OPERATING EXPENSES	<u>458,763</u>
LOSS FROM OPERATIONS	<u>(458,763)</u>
NET LOSS	(458,763)
Member's Equity - Beginning of Period	250,000
Contributions from Member	<u>456,305</u>
MEMBER'S EQUITY - END OF PERIOD	<u><u>\$ 247,542</u></u>

See accompanying Notes to Financial Statement.

FRANKNFURTERS FRANCHISING LLC
STATEMENT OF CASH FLOWS
PERIOD FROM FEBRUARY 1, 2024 THROUGH DECEMBER 31, 2024

CASH FLOWS FROM OPERATING ACTIVITIES	
Net Loss	\$ 458,763
Reconciliation of Net Loss to Net Cash:	
Depreciation and Amortization Expense	3,090
Changes in Assets and Liabilities:	
Prepaid Expenses	(18,355)
Due to Parent	40,703
Net Cash Used by Operating Activities	<u>484,201</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Property and Equipment Purchases	(19,033)
CASH FLOWS FROM FINANCING ACTIVITIES	
Member Contributions	<u>456,305</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	921,473
Cash and Cash Equivalents - Beginning of Period	<u>250,000</u>
CASH AND CASH EQUIVALENTS - END OF PERIOD	<u><u>\$ 1,171,473</u></u>

See accompanying Notes to Financial Statement.

FRANKNFURTERS FRANCHISING LLC
NOTES TO FINANCIAL STATEMENTS
PERIOD FROM FEBRUARY 1, 2024 THROUGH DECEMBER 31, 2024
AND JANUARY 31, 2024

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principal Business Activity

Franknfurters Franchising LLC (the Company) was formed on December 13, 2023 in the state of Arizona. The Company is wholly owned by its parent company, Franknfurters, Inc. (the Parent). The Company was established for the purpose of selling franchises under the Franknfurters brand. During the period from February 1, 2024 through December 31, 2024, there were three locations that were opened.

Basis of Presentation

The Company's financial statements have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America.

Estimates and Assumptions

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Company considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents. At times, cash balances may be in excess of the Federal Deposit Insurance Corporation insurance limits.

Property and Equipment

Property and equipment are initially recorded at cost. These assets are depreciated using the straight-line method over the useful lives, generally five years.

Revenue Recognition

The Company generates revenue primarily through royalties, franchise fees, and technology fees. The Company recognizes revenue when its customer obtains control of promised goods or services in an amount that reflects the consideration which the Company expects to receive in exchange for those goods or services. To determine revenue recognition for the arrangements that the Company determines are within the scope of Topic 606, the Company performs the following five steps: (1) identify the contract(s) with a customer, (2) identify the performance obligations in the contract, (3) determine the transaction price, (4) allocate the transaction price to the performance obligations in the contract, and (5) recognize revenue when (or as) the Company satisfies a performance obligation.

FRANKNFURTERS FRANCHISING LLC
NOTES TO FINANCIAL STATEMENTS
PERIOD FROM FEBRUARY 1, 2024 THROUGH DECEMBER 31, 2024
AND JANUARY 31, 2024

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Advertising Costs

Advertising costs include franchise and area representative sales marketing, and advertising costs. These costs are expensed as incurred. Advertising cost for the period ended December 31, 2024 was \$21,137.

Income Taxes

The Company is a single member LLC and is treated as a disregarded entity for federal and state income tax purposes. As such, income and losses of the Company pass through to the Parent. Accordingly, no provision for income taxes is included in the accompanying financial statement. The Company evaluates its uncertain tax positions, if any, on a continual basis through review of its policies and procedures, review of its regular tax filings, and discussions with outside experts. As of December 31, 2024, management of the Company does not believe it has any uncertain tax positions.

Subsequent Events

In preparing this financial statement, the Company has evaluated events and transactions for potential recognition or disclosure through April 28, 2025, the date the financial statement was available to be issued.

NOTE 2 PROPERTY AND EQUIPMENT

Property and equipment is comprised of the following at December 31, 2024:

	Amount
Computers and Equipment	\$ 16,890
Leasehold Improvements	2,143
Total	19,033
Less: Accumulated Depreciation and Amortization	(3,090)
Property and Equipment, Net of Accumulated Depreciation and Amortization	\$ 15,943

Depreciation and amortization expense for the period from February 1, 2024 through December 31, 2024 was \$3,090.

NOTE 3 RELATED PARTY TRANSACTIONS

The Company conducted transactions with a related party through common ownership, involving the sharing of expenses for office rent, legal fees, office supplies, and wages. For the period ending December 31, 2024, the Company incurred expenses totaling \$260,774 from the related party for the shared services.

FRANKNFURTERS FRANCHISING LLC
NOTES TO FINANCIAL STATEMENTS
PERIOD FROM FEBRUARY 1, 2024 THROUGH DECEMBER 31, 2024
AND JANUARY 31, 2024

NOTE 3 RELATED PARTY TRANSACTIONS (CONTINUED)

All three locations open as of December 31, 2024 are owned by a stockholder of the Parent. Each location received a waiver for its franchise fee and was granted twelve months of waived royalty fees.



CLA (CliftonLarsonAllen LLP) is a network member of CLA Global. See CLAGlobal.com/disclaimer. Investment advisory services are offered through CliftonLarsonAllen Wealth Advisors, LLC, an SEC-registered investment advisor.



CliftonLarsonAllen LLP
20 East Thomas Road, Suite 2300
Phoenix, AZ 85012-3111

phone 602-266-2248 **fax** 602-266-2907
CLAconnect.com

INDEPENDENT AUDITORS' ACKNOWLEDGMENT

Frankfurters Franchising LLC
Scottsdale, Arizona

We agree to the inclusion in the Franchise Disclosure Document dated April 10, 2024, issued by Frankfurters Franchising LLC (Franchisor) of our report dated April 8, 2024, relating to the balance sheet of Franchisor as of January 31, 2024.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Phoenix, Arizona
April 8, 2024

FRANKNFURTERS FRANCHISING LLC
FINANCIAL STATEMENT
JANUARY 31, 2024



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**FRANKNFURTERS FRANCHISING LLC
TABLE OF CONTENTS
JANUARY 31, 2024**

INDEPENDENT AUDITORS' REPORT	1
FINANCIAL STATEMENT	
BALANCE SHEET	3
NOTES TO FINANCIAL STATEMENT	4



INDEPENDENT AUDITORS' REPORT

Member
Frankfurters Franchising LLC
Scottsdale, Arizona

Report on the Audit of the Financial Statement

Opinion

We have audited the accompanying balance sheet of Frankfurters Franchising LLC as of January 31, 2024, and the related notes to the financial statement.

In our opinion, the balance sheet referred to above presents fairly, in all material respects, the financial position of Frankfurters Franchising LLC as of January 31, 2024 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 (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statement section of our report. We are required to be independent of Frankfurters Franchising LLC and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statement

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

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

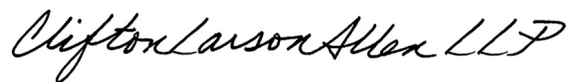
Auditors' Responsibilities for the Audit of the Financial Statement

Our objectives are to obtain reasonable assurance about whether the financial statement 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 GAAS 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 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 statement.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statement, 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 statement.
- 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 Frankfurters Franchising LLC'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 statement.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Frankfurters Franchising LLC'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.



CliftonLarsonAllen LLP

Phoenix, Arizona
April 8, 2024

FRANKNFURTERS FRANCHISING LLC
BALANCE SHEET
JANUARY 31, 2024

ASSETS

Cash and Cash Equivalents

\$ 250,000

Total Assets

\$ 250,000

MEMBER'S EQUITY

\$ 250,000

Total Member's Equity

\$ 250,000

See accompanying Notes to Financial Statement.

FRANKNFURTERS FRANCHISING LLC
NOTES TO FINANCIAL STATEMENT
JANUARY 31, 2024

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principal Business Activity

Franknfurters Franchising LLC (the Company) was formed on December 13, 2023 in the state of Arizona. The Company is wholly owned by its parent company, Franknfurters, Inc. (the Parent). The Company was established for the purpose of selling franchises under the Franknfurters brand.

Basis of Presentation

The Company's balance sheet has been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America.

Estimates and Assumptions

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Company considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents. At times, cash balances may be in excess of the Federal Deposit Insurance Corporation insurance limits.

Revenue Recognition

The Company generates revenue primarily through royalties, franchise fees, and advertising fund fees. The Company recognizes revenue when its customer obtains control of promised goods or services in an amount that reflects the consideration which the Company expects to receive in exchange for those goods or services. To determine revenue recognition for the arrangements that the Company determines are within the scope of Topic 606, the Company performs the following five steps: (1) identify the contract(s) with a customer, (2) identify the performance obligations in the contract, (3) determine the transaction price, (4) allocate the transaction price to the performance obligations in the contract, and (5) recognize revenue when (or as) the Company satisfies a performance obligation.

As of January 31, 2024, the Company does not have any franchised locations; therefore, no revenues have been recognized.

Income Taxes

The Company is a single member LLC and is treated as a disregarded entity for federal and state income tax purposes. As such, income and losses of the Company pass through to the Parent. Accordingly, no provision for income taxes is included in the accompanying financial statement. The Company evaluates its uncertain tax positions, if any, on a continual basis through review of its policies and procedures, review of its regular tax filings, and discussions with outside experts. As of January 31, 2024, management of the Company does not believe it has any uncertain tax positions.

**FRANKNFURTERS FRANCHISING LLC
NOTES TO FINANCIAL STATEMENT
JANUARY 31, 2024**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Subsequent Events

In preparing this financial statement, the Company has evaluated events and transactions for potential recognition or disclosure through April 8, 2024, the date the financial statement was available to be issued.



CLA (CliftonLarsonAllen LLP) is a network member of CLA Global. See CLAGlobal.com/disclaimer. Investment advisory services are offered through CliftonLarsonAllen Wealth Advisors, LLC, an SEC-registered investment advisor.



CliftonLarsonAllen LLP
20 East Thomas Road, Suite 2300
Phoenix, AZ 85012-3111

phone 602-266-2248 **fax** 602-266-2907
CLAcconnect.com

INDEPENDENT AUDITORS' ACKNOWLEDGMENT

Frankfurters Franchising LLC
Scottsdale, Arizona

We agree to the inclusion in the Franchise Disclosure Document dated April 10, 2024, issued by Frankfurters Franchising LLC (Franchisor) of our report dated April 8, 2024, relating to the balance sheet of Franchisor as of January 31, 2024.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Phoenix, Arizona
April 8, 2024

FRANKNFURTERS FRANCHISING LLC
FINANCIAL STATEMENT
JANUARY 31, 2024



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**FRANKNFURTERS FRANCHISING LLC
TABLE OF CONTENTS
JANUARY 31, 2024**

INDEPENDENT AUDITORS' REPORT	1
FINANCIAL STATEMENT	
BALANCE SHEET	3
NOTES TO FINANCIAL STATEMENT	4



INDEPENDENT AUDITORS' REPORT

Member
Frankfurters Franchising LLC
Scottsdale, Arizona

Report on the Audit of the Financial Statement

Opinion

We have audited the accompanying balance sheet of Frankfurters Franchising LLC as of January 31, 2024, and the related notes to the financial statement.

In our opinion, the balance sheet referred to above presents fairly, in all material respects, the financial position of Frankfurters Franchising LLC as of January 31, 2024 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 (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statement section of our report. We are required to be independent of Frankfurters Franchising LLC and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statement

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

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

Auditors' Responsibilities for the Audit of the Financial Statement

Our objectives are to obtain reasonable assurance about whether the financial statement 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 GAAS 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 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 statement.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statement, 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 statement.
- 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 Frankfurters Franchising LLC'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 statement.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Frankfurters Franchising LLC'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.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Phoenix, Arizona
April 8, 2024

FRANKNFURTERS FRANCHISING LLC
BALANCE SHEET
JANUARY 31, 2024

ASSETS

Cash and Cash Equivalents	<u>\$ 250,000</u>
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Total Assets	<u><u>\$ 250,000</u></u>
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MEMBER'S EQUITY

	<u>\$ 250,000</u>
--	-------------------

Total Member's Equity	<u><u>\$ 250,000</u></u>
-----------------------	--------------------------

See accompanying Notes to Financial Statement.

FRANKNFURTERS FRANCHISING LLC
NOTES TO FINANCIAL STATEMENT
JANUARY 31, 2024

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principal Business Activity

Franknfurters Franchising LLC (the Company) was formed on December 13, 2023 in the state of Arizona. The Company is wholly owned by its parent company, Franknfurters, Inc. (the Parent). The Company was established for the purpose of selling franchises under the Franknfurters brand.

Basis of Presentation

The Company's balance sheet has been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America.

Estimates and Assumptions

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Company considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents. At times, cash balances may be in excess of the Federal Deposit Insurance Corporation insurance limits.

Revenue Recognition

The Company generates revenue primarily through royalties, franchise fees, and advertising fund fees. The Company recognizes revenue when its customer obtains control of promised goods or services in an amount that reflects the consideration which the Company expects to receive in exchange for those goods or services. To determine revenue recognition for the arrangements that the Company determines are within the scope of Topic 606, the Company performs the following five steps: (1) identify the contract(s) with a customer, (2) identify the performance obligations in the contract, (3) determine the transaction price, (4) allocate the transaction price to the performance obligations in the contract, and (5) recognize revenue when (or as) the Company satisfies a performance obligation.

As of January 31, 2024, the Company does not have any franchised locations; therefore, no revenues have been recognized.

Income Taxes

The Company is a single member LLC and is treated as a disregarded entity for federal and state income tax purposes. As such, income and losses of the Company pass through to the Parent. Accordingly, no provision for income taxes is included in the accompanying financial statement. The Company evaluates its uncertain tax positions, if any, on a continual basis through review of its policies and procedures, review of its regular tax filings, and discussions with outside experts. As of January 31, 2024, management of the Company does not believe it has any uncertain tax positions.

FRANKNFURTERS FRANCHISING LLC
NOTES TO FINANCIAL STATEMENT
JANUARY 31, 2024

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Subsequent Events

In preparing this financial statement, the Company has evaluated events and transactions for potential recognition or disclosure through April 8, 2024, the date the financial statement was available to be issued.



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Exhibit K
Franchisee Questionnaire

FRANCHISEE QUESTIONNAIRE

This Questionnaire does not apply to franchises who intend to operate the franchised business in the State of California.- Do not complete this Questionnaire or respond to any of the questions contained in the Questionnaire if you intend to operate the franchised business in the State of California.

~~Maryland franchisees are not to sign the Questionnaire if they are a resident of Maryland, or if the business is to be operated in Maryland.~~

This Questionnaire should not be completed or signed and will not apply to any franchisees and franchises that are subject to the Maryland franchise registration/disclosure laws.

Do not sign this questionnaire if you are a resident of the state of Washington or if the business is to be operated in the state of Washington.

As you know, Frankfurters Franchising LLC and you are preparing to enter into a Franchise Agreement for the operation of a Restaurant and/or a Development Agreement for the operation of additional Restaurants over an agreed upon period of time. The purpose of this Questionnaire is to determine whether any statements or promises were made to you that we have not authorized or that may be untrue, inaccurate or misleading, to be certain that you have been properly represented in this transaction, and to be certain that you understand the limitations on claims you may make because of the purchase and operation of your Restaurant. You must sign and date this Questionnaire the same day that you sign the Franchise Agreement. You cannot sign or date this Questionnaire the same day as the Receipt for the Disclosure Document. Please review each of the following questions carefully and provide honest responses to each question. If you answer “No” to any of the questions below, please explain your answer on the back of this sheet.

	Question	Yes	No
1.	Have you received and personally reviewed the Franchise Agreement ₂ and each exhibit or schedule attached to it?		
2.	Have you received and personally reviewed the Development Agreement ₂ and each exhibit or schedule attached to it?		
3.	Have you received and personally reviewed the Disclosure Document we provided?		
4.	Did you sign a receipt for the Disclosure Document indicating the date you received it?		
5.	Do you understand all of the information contained in the Disclosure Document, all of the terms of the Franchise Agreement, and all of the terms of the Development Agreement?		
6.	Have you reviewed the Disclosure Document, Franchise Agreement and Development Agreement with a lawyer, accountant, or other professional advisor?		
7.	Have you discussed the benefits and risks of developing and operating Restaurants with existing Frank & Furter’s franchisees?		
8.	Do you understand the risks of developing and operating Restaurants franchises?		
9.	Do you understand that the success or failure of your Restaurant will depend in large part upon your skills, abilities, and efforts and those of the persons you employ, as well as many factors beyond your control such as weather, competition, interest rates, the economy, inflation, labor and supply costs, lease terms and the marketplace?		

	Question	Yes	No
10.	Do you understand that, subject to applicable state law, any applicable mediation, arbitration, or litigation must take place in Arizona?		
11.	Do you agree that no employee or other person speaking on our behalf has made any statement or promise regarding the costs involved in operating Restaurants, or otherwise, that is not contained in the Disclosure Document or that is contrary to, or different from, the information contained in the Disclosure Document?		
12.	Do you agree that no employee or other person speaking on our behalf has made any statement or promise regarding the actual, average or projected profits or earnings, the likelihood of success, the amount of money you may earn or the total amount of revenue a Restaurant will generate, that is not contained in the Disclosure Document or that is contrary to, or different from, the information contained in the Disclosure Document?		
13.	Do you understand that the Franchise Agreement and the exhibits to the Franchise Agreement, the Development Agreement and the exhibits to the Development Agreement, and the Disclosure Document contain the entire agreement between us and you concerning your purchase of Restaurants franchises and that any oral or written statements, if any, not contained in the Franchise Agreement or Disclosure Document will not be binding?		

EXPLANATION OF ANY NEGATIVE RESPONSES [REFER TO QUESTION NUMBER]:

PLEASE ADD ADDITIONAL SHEETS OF PAPER IF NECESSARY TO EXPLAIN NEGATIVE RESPONSES.

THE UNDERSIGNED UNDERSTANDS THAT HIS ANSWERS ARE IMPORTANT TO FRANKNFURTERS FRANCHISING LLC, AND THAT FRANKNFURTERS FRANCHISING LLC WILL RELY ON THEM. BY SIGNING THIS QUESTIONNAIRE, THE UNDERSIGNED REPRESENTS AND WARRANTS THAT THEY HAVE CONSIDERED EACH QUESTION CAREFULLY AND RESPONDED TRUTHFULLY TO EACH OF THE ABOVE QUESTIONS.

The following language applies only to transactions governed by the Maryland Franchise Registration and Disclosure Law:

All representations requiring prospective franchisees to assent to a release, estoppel or waiver of liability are not intended to nor shall they act as a release, estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.

FRANCHISEE:

By: _____

Name: _____

Title _____

Date _____

Exhibit L
Lists of Current and Former Franchisees

~~None~~ As of December 31, 2024

<u>Franchisee Name</u>	<u>Location Address</u>	<u>Phone Number</u>	<u>Email</u>
<u>Dat Thieu</u>	<u>1158 N Capitol Ave, San Jose, CA 95133</u>	<u>(408) 493-5233</u>	<u>dat@frank-furters.com</u>
<u>Dat Thieu</u>	<u>Floor 2, 2855 Stevens Creek Blvd., Suite 2453, San Jose, CA 95128</u>	<u>(408) 493-5233</u>	<u>dat@frank-furters.com</u>
<u>Dat Thieu</u>	<u>925 Blossom Hill Rd #1645, San Jose, CA 95123</u>	<u>(408) 493-5233</u>	<u>dat@frank-furters.com</u>

Franchisees who have signed Franchise Agreements but have not opened as of 12/31/2024

None.

The name, city and state and current business telephone number or if unknown, the last known telephone number of every franchisee who has had an outlet transferred under the franchise agreement during the most recently completed fiscal year.

None.

The following lists the name, city and state, and the current business telephone number (or, if unknown, the last known home telephone number) of Franchisees who had an outlet terminated, canceled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under Franchise Agreement with us during our most recently completed fiscal year or who had not communicated with us within 10 weeks of the issuance date of this Disclosure Document:

None.

Exhibit M
State Effective Dates

The following states have franchise laws that require that the Franchise Disclosure Document be registered or filed with the states, or be exempt from registration: California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington, and Wisconsin.

This document is effective and may be used in the following states, where the document is filed, registered, or exempt from registration, as of the Effective Date stated below:

State	Effective Date
California	Pending
Hawaii	Pending
Illinois	Pending
Indiana	Pending
Maryland	Pending
Michigan	4/15/2024 Pending
Minnesota	Pending
New York	Pending
North Dakota	Pending
Rhode Island	4/16/2024 Pending
South Dakota	Pending
Virginia	Pending
Washington	Pending
Wisconsin	4/12/2024 Pending

Other states may require registration, filing or exemption of a franchise under other laws, such as those that regulate the offer and sale of business opportunities or seller-assisted marketing plans.

**Exhibit N
Receipts**

RECEIPT

This Disclosure Document summarizes certain provisions of the franchise agreement and other information in plain language. Read this Disclosure Document and all agreements carefully.

If Frank & Furter’s 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.

New York requires Franchisor to provide you with this Disclosure Document at the earlier of the first personal meeting or ten business days before you sign a franchise or other agreement with, or make payment to, Franchisor or one of its affiliates in connection with the proposed franchise sale. Michigan requires that Franchisor provide you with this Disclosure Document at least ten business days before you sign a binding franchise or other agreement with, or make payment to, Franchisor or one of its affiliates in connection with the proposed franchise sale.

If Frank & Furter’s does not deliver this Disclosure Document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580, and the appropriate state agency.

The franchise seller offering the franchise is:

___ -Lyle Myers, located at 4250 N Drinkwater Blvd, Suite #165, Scottsdale, Arizona 85251, 888-303-3399

___ -[name], located at _____

The issuance date for this Franchise Disclosure Document is **April 10~~30~~, 2024~~5~~**.

I have received a Disclosure Document dated **April 10~~30~~, 2024~~5~~** that included the following Exhibits:

- | | | | |
|---|---|---|---|
| A | List of State Administrators | H | Table of Contents of Confidential Operations Manual |
| B | Franchisor’s Agent for Service of Process | I | State Specific Disclosures and Addendums to Franchise Agreement |
| C | Franchise Agreement | J | Financial Statements |
| D | Development Agreement | K | Franchisee Questionnaire |
| E | EFT Preauthorization | L | Lists of Current and Former Franchisees |
| F | Form of General Release | M | State Effective Dates |
| G | Franchisor Lease Addendum | N | Receipts |

Instructions for returning the receipt: If the Disclosure Document is not delivered in person, the prospective franchisee must sign both copies of this Receipt, retaining one (1) for the prospective franchisee’s records. The other copy must be sent via certified mail to Lyle Myers, Chief Development Officer, Frankfurters Franchising LLC, 4250 N Drinkwater Blvd, Suite #165, Scottsdale, AZ 85251.

Prospective Franchisee:

Prospective Franchisee:

Printed Name: _____

Printed Name: _____

Date _____

Date _____

[KEEP THIS COPY FOR YOUR RECORDS]

RECEIPT

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Prospective Franchisee:

Prospective Franchisee:

Printed Name: _____

Printed Name: _____

Date _____

Date _____

[RETURN THIS COPY TO US]