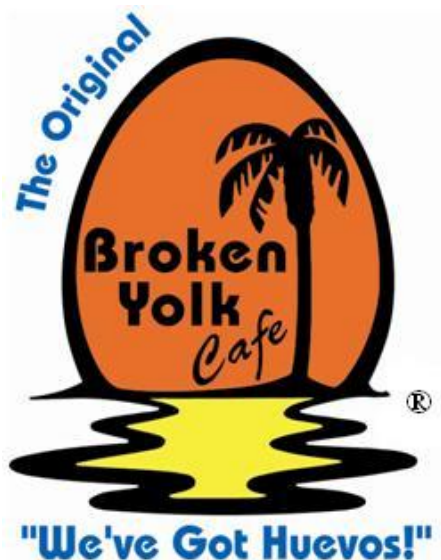


FRANCHISE DISCLOSURE DOCUMENT



BYC FRANCHISING, LLC
a California Limited Liability Company

1851 Garnet Avenue
San Diego, CA 92109
Telephone: (858) 270-0050
info@brokenyolkcafe.com
www.brokenyolkfranchise.com
www.thebrokenyolkcafe.com

We specialize in providing a large selection of moderately-priced, freshly-cooked homestyle meals and other menu items in a comfortable and casual atmosphere during breakfast and lunch operating hours. We also offer our products via off-premise group catering, individual takeout and third-party delivery.

Our standard franchise offering is an:

Area Development Agreement for Multiple Restaurants. As an area developer, you will develop a minimum of 3 Broken Yolk Cafe® Restaurants within a defined geographic area. Upon signing an Area Development agreement, you will also sign the franchise agreement for your 1st Restaurant. When you sign, you will pay Development Fees equal to \$10,000 multiplied by the number of Restaurants you agree to open plus a \$10,000 Initial Franchise Fee and \$15,000 Training and Pre-Opening Support Fee for your 1st Restaurant. For a 3-Restaurant Area Development Agreement, a total of \$55,000 is due for the combined Development Fees, the Initial Franchise Fee and the Training and Pre-Opening Support Fee for your 1st Restaurant. The estimated initial investment to begin operation of your 1st Restaurant under a 3-Restaurant Area Development Agreement ranges from \$553,950 - \$1,637,500. For the 2nd and 3rd Restaurants you develop, the estimated initial investment range

is \$523,950 - \$1,607,500 (which includes a \$10,000 Initial Franchise Fee and \$15,000 Training and Pre-Opening Support Fee for the 2nd and 3rd Restaurants, after we apply a \$10,000 credit toward each Initial Franchise Fee from Development Fees you have paid. Franchise agreements signed for your 2nd and subsequent Restaurants will require payment of our then-current Initial Franchise Fee and Training and Pre-Opening Support Fees, which may be more or less than those described above.

On occasion and where warranted in our estimation based on demographics, including, the population and geographic base, we may offer a:

Franchise Agreement for a Single Restaurant. The total estimated investment necessary to begin operation of a single Broken Yolk Cafe® Restaurant ranges from \$543,950 - \$1,627,500. This includes a \$20,000 Initial Franchise Fee and \$25,000 Training and Pre-Opening Support Fee paid to us.

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 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 Valerie McCartney c/o BYC Franchising, LLC at 1851 Garnet Avenue, San Diego, California 92109, Email: valeriem@brokenyolkcafe.com, Telephone: 858-740-9554.

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

Buying a franchise is a complex investment. The information in this Disclosure Document can help you make your decision. More information on franchising, such as "A Consumer's Guide to Buying a Franchise," which can help you understand how to use this Disclosure Document, is available from the Federal Trade Commission (FTC). 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.

Date of Issuance: April 15, 2025.

How to Use This Franchise Disclosure Document

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

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 Exhibits G-1 and G-2.
How much will I need to invest?	Items 5 and 6 list fees you will be paying to the franchisor or at the franchisor's direction. Item 7 lists the estimated initial investment to open. Item 8 describes the suppliers you must use.
Does the franchisor have the financial ability to provide support to my business?	Item 21 or Exhibit C 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 Broken Yolk Cafe in my area?	Item 12 and the "territory" provisions in the franchise agreement describe whether the franchisor and other franchisees can compete with you.
Does the franchisor have a troubled legal history?	Items 3 and 4 tell you whether the franchisor or its management have been involved in material litigation or bankruptcy proceedings.
What's it like to be a Broken Yolk Cafe franchisee?	Item 20 or Exhibits G-1 and G-2 lists current and former franchisees. You can contact them to ask about their experiences.
What else should I know?	These questions are only a few things you should look for. Review all 23 Items and all Exhibits in the disclosure document to better understand this franchise opportunity. See the table of contents.

What You Need To Know About Franchising *Generally*

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

Business model can change. The franchise agreement may allow the franchisor to change its manuals and business model without your consent. These changes may require you to make additional investments in your franchise business or may harm your franchised 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 a franchisor 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 may also 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 the following risks be highlighted:

1. **Out-of-State Dispute Resolution.** The franchise and area development agreements require you to resolve disputes with us by arbitration only in California. Out-of-state arbitration may force you to accept a less favorable settlement for disputes. It may also cost you more to arbitrate with us in California than in your own state.
2. **Spousal Liability.** Your spouse must sign a document, such as a guarantee, that makes your spouse liable for your financial obligations under the franchise agreement even if your spouse does not own any part of the franchise business. Both you and your spouse's marital and personal assets, including your house, could be lost if your franchise fails.

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.

DISCLOSURES REQUIRED BY MICHIGAN LAW

THE STATE OF MICHIGAN PROHIBITS CERTAIN UNFAIR PROVISIONS THAT ARE SOMETIMES IN FRANCHISE DOCUMENTS. IF ANY OF THE FOLLOWING PROVISIONS ARE IN THESE FRANCHISE DOCUMENTS, THE PROVISIONS ARE VOID AND CANNOT BE ENFORCED AGAINST YOU.

(a) A prohibition on the right of a franchisee to join an association of franchisees.

(b) A requirement that a franchisee assent to a release, assignment, novation, waiver or estoppel which deprives a franchisee of rights and protections provided in this act. This shall not preclude a franchisee, after entering into a franchise agreement, from settling any and all claims.

(c) A provision that permits a franchisor to terminate a franchise prior to the expiration of its term except for good cause. Good cause shall include the failure of the franchisee to comply with any lawful provision of the franchise agreement and to cure such failure after being given written notice thereof and a reasonable opportunity, which in no event need be more than 30 days, to cure such failure.

(d) A provision that permits a franchisor to refuse to renew a franchise without fairly compensating the franchisee by repurchase or other means for the fair market value at the time of expiration of the franchisee's inventory, supplies, equipment, fixtures, and furnishings. Personalized materials which have no value to the franchisor and inventory, supplies, equipment, fixtures, and furnishings not reasonably required in the conduct of the franchise business are not subject to compensation. This subsection applies only if: (i) The term of the franchise is less than 5 years and (ii) the franchisee is prohibited by the franchise or other agreement from continuing to conduct substantially the same business under another trademark, service mark, trade name, logotype, advertising, or other commercial symbol in the same area subsequent to the expiration of the franchise or the franchisee does not receive at least 6 months advance notice of the franchisor's intent not to renew the franchise.

(e) A provision that permits the franchisor to refuse to renew a franchise on terms generally available to other franchisees of the same class or type under similar circumstances. This section does not require a renewal provision.

(f) A provision requiring that arbitration or litigation be conducted outside this state. This shall not preclude the franchisee from entering into an agreement, at the time of arbitration, to conduct arbitration at a location outside this state.

(g) A provision which permits a franchisor to refuse to permit a transfer of ownership of a franchise, except for good cause. This subdivision does not prevent a franchisor from exercising a right of first refusal to purchase the franchise. Good cause shall include, but is not limited to:

(i) The failure of the proposed transferee to meet the franchisor's then current reasonable qualifications or standards.

(ii) The fact that the proposed transferee is a competitor of the franchisor or subfranchisor.

(iii) The unwillingness of the proposed transferee to agree in writing to comply with all lawful obligations.

(iv) The failure of the franchisee or proposed transferee to pay any sums owing to the franchisor or to cure any default in the franchise agreement existing at the time of the proposed transfer.

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

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

THE FACT THAT THERE IS A NOTICE OF THIS OFFERING ON FILE WITH THE ATTORNEY GENERAL DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION, OR ENDORSEMENT BY THE ATTORNEY GENERAL.

Michigan law provides that a franchisor whose most recent statements are unaudited and which show a net worth of less than \$100,000 shall, at the request of a franchisee, arrange for the escrow of initial investment and other funds paid by the franchisee or subfranchisor until the obligations to provide real estate, improvements, equipment, inventory, training, or other items included in the franchise offering are fulfilled. At the option of the franchisor, a surety bond may be provided in place of escrow. In the event that an escrow is so established, the escrow agent shall be a financial institution authorized to do business in the State of Michigan. The escrow agent may release to the franchisor those amounts of the escrowed funds applicable to a specific franchisee or subfranchisor upon presentation of an affidavit executed by the franchisee and an affidavit executed by the franchisor stating that the franchisor has fulfilled its obligation to provide real estate, improvements, equipment, inventory, training, or other items. This portion of the Michigan law does not prohibit a partial release of escrowed funds upon receipt of affidavits of partial fulfillment of the franchisor's obligation.

SHOULD THE PROSPECTIVE FRANCHISEE HAVE ANY QUESTIONS REGARDING THE NOTICE OF THIS FILING WITH THE ATTORNEY GENERAL, SUCH QUESTIONS SHOULD BE ADDRESSED TO:

**Department of the Attorney General
Consumer Protection Division
Antitrust and Franchise Section
PO Box 30213
Lansing, MI 48909
(517) 335-7567**

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EXHIBITS

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 - Exhibit “D-1”: Investor Covenants Regarding Confidentiality and Non-Competition (for Non-California Franchisees)
 - Exhibit “D-2”: Investor Covenants Regarding Confidentiality and Non-Competition (for California Franchisees)
 - Exhibit “E”: Authorization for Pre-Arranged Payments (Direct Debits)
 - Exhibit “F”: ADA and Related Certifications
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 - Exhibit “H”: Form of General Release
 - Exhibit “I”: State-Specific Addenda to the Franchise Agreement
 - Schedule 1: Statement of Ownership of Franchisee
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 - Exhibit “A”: Development Territory
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- Exhibit “C”: Existing Broken Yolk Cafe Restaurants in Development Territory
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- G-2. List of Former Franchisees Who Left the System in 2024
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- I. State Effective Dates
- J. Receipt

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

To simplify this Disclosure Document, “Franchisor,” “we,” “our” or “us” means BYC Franchising, LLC, the franchisor of Broken Yolk Cafe® Restaurants. In the Franchise Agreement and other agreements, we are referred to as “the Company.” The person who buys the franchise is referred to as “Franchisee,” “you,” “your” and “area developer,” to the extent applicable. If the franchise will operate through a business entity, “you” and “your” also includes the entity owners or partners.

We were formed in California as a limited liability company on February 11, 2010. We do business under the name “Broken Yolk Cafe®” and do not do business under any other name. Our principal business address is 1851 Garnet Avenue, San Diego, California 92109. Our phone number is (858) 270-0050. Our agents for service of process are listed in Exhibit A. We started franchising in April, 2010.

The trademarks we license to you under the Franchise Agreement are licensed to us by our affiliate, BYC, Inc., a California corporation, referred to in this Franchise Disclosure Document as “our Affiliate.” We and our Affiliate share the same office address.

We grant franchises to operate Broken Yolk Cafe® Restaurants, which offer a large selection of freshly-cooked, home-style meals and other menu items for on-premise, off-premise and take-out consumption in a casual and comfortable environment. Broken Yolk Cafe® Restaurants serve delicious meals to their customers during breakfast and lunch hours.

Under an Area Development Agreement, you must open at least 3 Broken Yolk Cafe® Restaurants. If you fail to meet the Development Schedule, we may terminate the Area Development Agreement. For each site included on your Development Schedule, you will sign the then-current version of our franchise agreement. Each such agreement may include substantially different economic and operational terms from those in the franchise agreement included in this offering.

We have not offered or sold franchises in any other line of business and do not operate any Broken Yolk Cafe® Restaurants.

Since 1993, our Affiliate and/or its predecessor have operated 1 Broken Yolk Cafe® Restaurant of the type you will operate. The address and phone number of this store are listed in Exhibit G-3 to this Disclosure Document. Our Affiliate does not offer franchises in any line of business. From 2005 through 2008, our Affiliate offered licenses for California restaurants similar to the franchise we offer, all of which have been converted to franchise agreements with us. In 2021, these licenses were deemed sales by our Affiliate of 3 unregistered California franchises and the resulting Consent Order signed with the California Department of Financial Protection and Innovation is disclosed in Item 3 of this disclosure document.

We have no parents, predecessors or any other affiliates that offer franchises in any line of business or provide products or services to franchisees of the BYC System. We have had no predecessors during the 10-year period immediately before the close of our most recent fiscal year.

As a franchisee, you will have the right to use the Broken Yolk Cafe® trademarks and confidential trade secrets to sell freshly-cooked, home-style meals and other breakfast and lunch menu items to the general public. Your Restaurant will reflect a casual and comfortable Broken Yolk Cafe® look featuring indoor booths and table seating, exterior patio seating (where permitted), custom designed interiors, furniture, fixtures and specially designed uniforms that complement the typical look and feel of a Broken Yolk Cafe® Restaurant. You will use the BYC System (as defined in your Franchise Agreement) including marketing techniques, trade secrets, and recipes. We anticipate that franchise prospects will have prior experience as multi-unit operators of brick and mortar restaurants, retail establishments or service-based businesses.

The food service industry is highly competitive. We anticipate your competition will be full service and quick service restaurants, and in particular, those serving breakfast and lunch.

In addition to the laws, regulations and ordinances applicable to businesses generally, such as the Americans with Disabilities Act, Federal Wage and Hour Laws, and the Occupation, Health and Safety Act, certain aspects of any restaurant business are regulated by federal, state and local laws, rules and ordinances. The U.S. Food and Drug Administration, the U.S. Department of Agriculture, and state and local departments of health and other agencies have laws and regulations concerning the preparation of food, the condition of restaurant facilities and the sale of alcoholic beverages. State and local agencies routinely conduct inspections for compliance with these requirements. Under the Clean Air Act and state implementing laws, certain state and local areas are required to attain, by the applicable statutory guidelines, the national quality standards for ozone, carbon monoxide and particulate matters. Certain provisions of these laws impose caps on emissions from commercial food preparation.

ITEM 2. BUSINESS EXPERIENCE

LLC Manager and Chief Executive Officer: John Gelastopoulos

Mr. Gelastopoulos has been our sole LLC Manager and Chief Executive Officer since we were formed in February, 2010. He has also served as CEO, Chief Operating Officer and as a Director for our Affiliate, BYC, Inc., since August, 2001. Mr. Gelastopoulos acquired the original Broken Yolk Cafe® Restaurant in Pacific Beach, California in 1993.

LLC Manager, Chief Financial Officer and Secretary: Chrisoula Gelastopoulos

Ms. Gelastopoulos has been our Chief Financial Officer and Secretary since our inception. She has also served as the CFO and Secretary of our Affiliate since August, 2001 and was Accountant and Controller for our Affiliate's predecessor from 1993 to 2001.

Director of Franchise Support and Technology: Dimitra O'Rourke

Ms. O'Rourke has been our Director of Franchise Support and Technology since our inception.

Franchise Sales and Development Consultant: Valerie McCartney, as President of Franchise Growth Strategies, Inc.

Ms. McCartney, as President of Franchise Growth Strategies, Inc., has served as our Franchise Sales and Development Consultant since our inception.

Director of Operations: Ed Powers

Mr. Powers was appointed as Director of Operations January, 2024. Prior to that, he served as Director of Operations for the Chili's division of Brinker International from December, 1990 to August, 2023.

ITEM 3. LITIGATION

In the Matter of: The Commissioner of Financial Protection and Innovation v. BYC, Inc. and BYC Franchising, LLC, the Commissioner of the California Department of Financial Protection and Innovation ("DFPI") found that, from 2005 to 2008 and prior to the formation of BYC Franchising, LLC, our Affiliate, BYC, Inc. sold 3 unregistered California franchises and failed to provide the required FDD. The matter has been settled pursuant to a Consent Order effective as of July 15, 2021, requiring payment to the DFPI of an administrative penalty in the amount of \$10,000 and attorney's fees and costs of \$5,000, that our Affiliate and we desist and refrain from further such violations and that the Consent Order and Commissioner's findings be disclosed in this Item 3 of our FDD.

Other than this action, no litigation is required to be disclosed in this Item.

ITEM 4. BANKRUPTCY

There are no bankruptcies required to be disclosed in this Item.

ITEM 5. INITIAL FEES

When you sign an Area Development Agreement, you must commit to open at least 3 Broken Yolk Café® Restaurants and pay a Development Fee equal to \$10,000 multiplied by the number of Broken Yolk Café® Restaurants to be developed under the Area

Development Agreement. This fee is payable upon signing the Area Development Agreement and is not refundable, in whole or in part, under any circumstances. One-half (\$5,000) of the \$10,000 per site Development Fee will be applied to the Initial Franchise Fee payable under each Franchise Agreement you sign under the Area Development Agreement. The remaining one-half (\$5,000) of the \$10,000 per site Development Fee will be applied to the Training and Pre-Opening Support Fee payable under each Franchise Agreement you sign under the Area Development Agreement. When you sign the Area Development Agreement, you must also sign the Franchise Agreement and pay the \$10,000 Initial Franchise Fee and the \$15,000 Training and Pre-Opening Support Fee for the 1st site listed on your Development Schedule. If the Area Development Agreement is terminated, the Development Fee, or any portion of the Development Fee not already applied to the Initial Franchise Fee and/or Training and Pre-Opening Support Fee due under a franchise agreement, will be forfeited to us in consideration of the rights granted to you in the Development Territory up to the time of termination. You will sign our then-current version of franchise agreement for all sites included on your Development Schedule. When you sign each Franchise Agreement, you will pay our then-current Initial Franchise Fee and Training and Pre-Opening Support Fee for your 2nd and each subsequent site under your Area Development Agreement, which may be more or less than the fees paid for your 1st site. Any of your future sites must meet our then-current standards and specifications applicable for sites and territories.

The Training and Pre-Opening Support Fee covers training for up to 5 attendees you designate (see further detail in Item 11 below) and our review and assessment of each site proposed by you for your Franchised Business (including travel and other related expenses), our plans, specifications and guidance in connection with the development and opening of your Restaurant(s).

If you sign a Franchise Agreement for a single Restaurant, you will pay us a non-refundable Initial Franchise Fee of \$20,000 ("Initial Franchise Fee") and a Training and Pre-Opening Support Fee of \$25,000. You must sign the Franchise Agreement and pay us the Initial Franchise Fee and Training and Pre-Opening Support Fee within 21 days of our delivery to you of signature-ready copies of the Franchise Agreement.

We do not provide or offer any refunds of the Initial Franchise Fees or Training and Pre-Opening Support Fees paid to us, nor do we currently offer any financing of the fees you pay to us.

ITEM 6. OTHER FEES

Type of Fee (Note 1)	Amount	Due Date	Remarks
Royalty Fee	4% of Gross Sales (Note 2)	Monthly, payable by the 10 th calendar day of each month based on the total Gross Sales derived in the prior month	Gross Sales are defined in Note 2 below. If you sign an Area Development Agreement with us between January 1, 2025 and April 30, 2026, the Royalty Fee under the Franchise Agreements applicable to that ADA, will be reduced to 2% of Gross Sales until the 2nd anniversary of the opening of the Restaurant described in each such Franchise Agreement (the “Deferral Period”). After the Deferral Period and/or for any ADA not signed during the designated timeframe, the Royalty Fee will be 4% of Gross Sales or as described in the Franchise Agreement. See Schedule 2 to the Franchise Agreement

Type of Fee (Note 1)	Amount	Due Date	Remarks
Marketing Fund Fee	1% of Gross Sales to Marketing Fund (collected by us)	Monthly, payable by the 10th calendar day of each month based on the total Gross Sales derived in the prior month	See Item 11 for details.
Local Marketing Requirements	2% of Gross Sales invested directly by you in local store marketing (Note 2)	Monthly	Payable to support local events, ads, social media marketing or other local expenditures. We may require that any deficiency be contributed to the Marketing Fund in addition to other remedies we have for breach. See Item 11 for details.
Additional Training Fees	\$1,000 per person for the 6th and each subsequent person trained	Before training begins	Payable to us.
Audit Fee (Note 3)	Cost of audit, expected to range from \$5,000 to \$20,000 if you have maintained adequate books and records	Upon receipt of invoice	Payable to us if the audit discloses you intentionally under-reported royalties or other fees due to us, or under-reported by 2% or more in a single month or over a longer period.

Type of Fee (Note 1)	Amount	Due Date	Remarks
Transfer Fee	\$5,000	Before any assignment, sale or transfer of the franchise	Payable to us for evaluation of proposed transferee or assignee and for legal fees associated with the transfer.
Transfer Fee (Area Development Agreement)	\$5,000	On transfer of any interest in the Area Development Agreement	We may waive or reduce this fee. This fee is in addition to any transfer fee(s) charged for the assignment of any franchise agreements held by you.
Interest Charge	Lesser of 15% per year or maximum rate allowed by law	Upon receipt of invoice	Payable if you fail to pay fees or other amounts when due.
Successor Franchise Fee	25% of the then-current initial franchise fee for a 10-year successor franchise; or 50% of the then-current initial franchise fee for a 20-year successor franchise	Before the successor term is effective	You pay this fee to us for a successor franchise term and must sign our then-current form of franchise agreement as well as a general release of claims.
Insurance	Actual Cost	Upon receipt of invoice	If you fail to maintain insurance coverage, we may obtain this coverage at your expense.

Type of Fee (Note 1)	Amount	Due Date	Remarks
Temporary Operations Assistance Fee	10% of Gross Sales	Upon receipt of invoice	Payable to us if we elect to manage your Restaurant pending our purchase of assets of your Restaurant or if we take over your Restaurant because of death, disability, absence, harm to our marks, system, or danger to public safety.
Supplier Evaluation Fee	\$500 to \$3,000	Upon receipt of invoice	Payable to us if you request an evaluation of a proposed new supplier or product not on our approved list.
Insufficient Funds Fee (Note 4)	\$100	On demand	Payable to us if funds in your bank account are insufficient to cover electronic debit.
Costs and Attorneys' Fees	Actual cost	As incurred	Payable if you fail to comply with the Franchise Agreement.

Type of Fee (Note 1)	Amount	Due Date	Remarks
Indemnification	Actual Cost	As incurred	You must pay for our defense by a lawyer of our choice and reimburse us if we are named in any lawsuit and/or held liable for claims arising out of your Restaurant operations.
Technology Fee	\$100	Monthly	Fee can be changed on 30-days' written notice.

NOTES:

(1) Unless otherwise noted, all fees are imposed by and payable to us. All fees are non-refundable. One license agreement initially granted by our Affiliate and later adopted as a franchise agreement between us and our Carlsbad franchisee, has terms and fees different from yours.

(2) “Gross Sales” means all revenues or things of value you receive from your Broken Yolk Cafe® Restaurant from all sales or other transactions for goods, wares, food, merchandise and services whether for cash, check, credit, barter or otherwise. There is no reserve or deduction for your inability or failure to collect any revenue or thing of value. Gross Sales include sales and services where orders are received or billed at or from the Restaurant even when delivery or performance may be at any other place (whether meals are consumed on- or off-premise), and any sums or receipts from the sale of meals to employees of the Restaurant. Gross Sales do not include rebates or refunds to customers or the amount of any sales taxes or other taxes that you collect from customers and pay to any federal, state or local taxing authority.

(3) “Under-reporting” means that not all sales were included in your sales report to us.

(4) Upon our request, you must sign bank authorizations allowing us to debit royalties, fees, charges, merchandise purchase payments and all other amounts due to us, directly from your bank account or credit card. See Authorization for Direct Debit (Exhibit “E” to the Franchise Agreement).

ITEM 7. ESTIMATED INITIAL INVESTMENT

7.A. YOUR ESTIMATED INITIAL INVESTMENT (AREA DEVELOPER: BASED ON 3-RESTAURANT MINIMUM REQUIREMENT) (Note 1)

Type of Expenditure	Amount	Method of Payment	When Due	To Whom Paid
Initial Franchise Fee (Note 2)	\$10,000 per Restaurant.	Lump Sum	When you sign your Franchise Agreement	Us. For each Restaurant you agree to develop under an ADA, we reduce your Initial Franchise Fee to \$10,000 by applying a \$5,000 credit from each Development Fee you pay.
Development Fee (Note 2)	\$30,000 (\$10,000 per Restaurant for a 3-Restaurant ADA)	Lump Sum	When you sign your Area Development Agreement	Us
Training and Pre-Opening Support Fee (Note 3)	\$15,000 per Restaurant	Lump Sum	When you sign your Area Development Agreement	Us. For each Restaurant you agree to develop under an ADA, we reduce your Training and Pre-Opening Support Fee to \$15,000 by applying a \$5,000 credit from each Development Fee you pay.
Additional Training Fee (Note 4)	\$0-\$1,000	\$0-\$1,000 (per person for the 6th and each subsequent person trained)	Lump Sum One Week Before Training	Us
Travel and Living Expenses While Training (Note 5)	\$0-\$17,500	As required	Before Opening	Airline, hotel, restaurants

Type of Expenditure	Amount	Method of Payment	When Due	To Whom Paid
Building and Improvements (Note 6)	\$165,000-\$650,000	As required	As incurred	Sellers, landlords, contractors, vendors
Utility Deposits (Note 7)	\$5,000-\$12,000	As required	Before Opening	Utility companies
Signs (indoor and outdoor) (Note 8)	\$18,000-\$23,000	As required	Before Opening	Approved Supplier
Equipment, Fixtures and Furnishings (Note 9)	\$165,000-\$600,000	Will vary	Will vary	Approved Suppliers
POS System (Note 10)	\$18,900-\$30,000	Lump Sum	Before Opening	Approved Supplier
Opening Inventory and Uniforms (Note 11)	\$18,750-\$35,000	As required	Before Opening	Approved Suppliers
Menus	\$800-\$2,000	As required	Before Opening	Approved Suppliers
Business License (Note 12)	\$2,000-\$4,000	Cash	Before Opening	City, county or state agencies
Insurance (Note 13)	\$4,500-\$12,000	As required	Before Opening	Insurance company
Opening Advertising (Note 14)	\$5,000	As required	Before Opening	Various advertising suppliers
Architect/Designer (Note 15)	\$6,000-\$31,000	As required	As Needed	Will vary
Additional Funds-First 3 months of operations (Note 16)	\$90,000-\$160,000	As required	As Needed	Various

Type of Expenditure	Amount	Method of Payment	When Due	To Whom Paid
SUBTOTALS	\$553,950-\$1,637,500 for the 1 st Restaurant \$523,950-\$1,607,500 for each additional Restaurant.	As required	On Demand	Various
TOTAL	\$1,601,850–\$4,852,500			

NOTES:

(1) This table provides estimates to open your first Broken Yolk Cafe® Restaurant under an Area Development Agreement including your initial investment from the period before your Restaurant opens for business through approximately the first 3 months of operation. We used our Affiliate's and our franchisees' experiences in operating Broken Yolk Cafe® Restaurants to make these estimates. These are only estimates and are based upon approximately 34 Broken Yolk Café® Restaurants in operation for the full 2024 calendar year. If you convert a site that was not previously a restaurant, your conversion costs may be higher. The funds listed above are to be supplied from your own funds. No allowance has been made for inflation, debt service or interest payment on borrowed money but you should consider these. Unless specifically noted, none of the initial investment expenses listed in the table is refundable. Unless noted otherwise, we do not finance your initial investment.

(2) Under the Area Development Agreement, you will also pay a non-refundable Development Fee of \$10,000 for each Broken Yolk Cafe® Restaurant you agree to develop as set forth on the Development Schedule. Under an Area Development Agreement, you must commit to open at least 3 Broken Yolk Cafe® Restaurants. Your Development Fees will be greater if you commit to develop more Restaurants. You will pay a non-refundable Initial Franchise Fee of \$10,000 upon signing the Franchise Agreement for your 1st Restaurant under the Area Development Agreement, after application of the Development Fee credit of \$5,000. This Initial Franchise Fee will be uniform as to all new franchisees under this disclosure document. We do not currently offer financing for any of the fees or any other item you must purchase.

You must sign the Franchise Agreement and pay the Initial Franchise Fee for the 1st Restaurant listed on your Development Schedule when you sign the Area Development Agreement and pay the Development Fees.

(3) Training and Pre-Opening Support Fee. This fee covers initial restaurant operations training for 5 people and our review and assessment of each qualified site proposed by you for your Franchised Business (including our travel and other related expenses), our plans, specifications and guidance in connection with the development and opening of your Restaurant(s).

(4) Additional Training Fee. Trainees typically include you, your Operations Director/General Manager, your Kitchen Manager, your Prep Cook and your Lead Server. For the 6th and each subsequent person requiring training, you will pay us an additional training fee of \$1,000. The low end of the total estimated cost range assumes that no more than 5 people attend training. The high end of the estimated cost assumes 1 extra person attends training. Your costs may be more depending on the number of employees you choose to attend training. At least one equity owner must complete initial restaurant operations training. The Operations Director and each manager must also complete our initial restaurant operations training program, as discussed in Item 11.

(5) Travel and Living Expenses While Training. You must pay transportation and living expenses of your managers or other attendees during training. As you will determine the amount paid for those expenses, we are only able to provide an estimate of expenses you will incur during training.

(6) Building and Improvements. You will need an end-cap or free-standing building that is approximately 3,750 to 4,500 square feet and has 45 to 60 parking spaces in close proximity. The cost of leasing this type of space varies based on location, square footage, age and condition of the structure, lease terms and other factors. The cost of construction and leasehold improvements further depend on the size and condition of the premises, the local cost of contract work, and the layout and location of the store. The lower figures represent pre-existing restaurants that were converted from another brand to Broken Yolk Cafe®. The higher figures represent sites that were formerly used for other non-restaurant applications or were brand new sites. These figures include only projected leasing cost ranges because purchasing a site is not anticipated or contemplated. We anticipate that your Broken Yolk Cafe® Restaurants will be located in anchored shopping centers with sites available for lease.

(7) Utility Deposits. Utility companies may require a deposit before installing telephone, gas, water, electricity and other utility services. The deposits may be refundable in accordance with agreements made with utility companies.

(8) Signs. You will install exterior signage at your site as we designate and as allowed by the landlord. The low estimate assumes minimal use of fixed signage. The high estimate assumes extensive use of fixed and temporary signage. All signage must be installed according to our specifications.

(9) Equipment, Fixtures and Furnishings. The costs for equipment, fixtures and furnishings vary depending on the size of your building and whether you are converting an existing restaurant facility, building from a shell or constructing a ground-up facility. The figures shown may vary from one site to the next depending upon site specific conditions

such as taxes, permit fees, logistics, shipping, delivery and installation charges, restaurant location and location requirements. This category includes food preparation and other kitchen equipment, refrigerator, freezer, office equipment, janitorial equipment, tables, chairs, lighting, and dining room decorations. We will provide you a list of Approved Suppliers, Distributors and Manufacturers for these items, all of which must be installed according to our specifications.

(10) POS System. You must purchase a point-of-sale (POS) system and hand-held tablets from our Approved Supplier. The estimated costs include installation, set-up and training. You will also need to purchase a cloud-based software subscription which typically ranges from \$3500 - \$7500 annually.

(11) Opening Inventory and Uniforms. You will need opening inventory and uniforms to operate your Restaurant. This expense is payable to our Approved Suppliers, Distributors and Manufacturers.

(12) Business Licenses. You will be required to obtain a business license, health department license, food management certificate and alcoholic beverage license permitting the sale of beer and wine. Licenses and permits must be obtained from the city, county and/or state with jurisdiction and will often vary by jurisdiction.

(13) Insurance. You will be required to obtain insurance. Insurance premiums may vary; the figure listed represents an average 1-year premium. You must obtain general liability coverage including contractual liability and advertising injury coverage of at least \$2,000,000 aggregate naming us as additional insured and with not more than \$10,000 deductible. Alternately, you may obtain self-insurance. You must additionally secure fire and extended coverage insurance on the Restaurant and your property, business interruption insurance, worker's compensation insurance, Employer Practices Liability Insurance ("EPLI") as specified by us and unemployment and state disability insurance as required by law. EPLI policy premiums can range from \$1,500 to \$4,500 annually depending upon geographic and other insurance industry factors and this range is included in the figures shown in the foregoing Item 7 chart. If you undergo any construction, reimagining or remodeling of the Restaurant, you must obtain builder's risk insurance for the project. We have the right to occasionally revise your required coverage and coverage amounts to commercially reasonable amounts.

(14) Opening Advertising. You must spend at least \$5,000 on grand opening advertising and promotion for your Restaurant covering the period beginning 15 days prior to the Restaurant opening date and ending 3 months after the opening. This amount is in addition to the Marketing Fund and local store advertising fee requirements described in Item 6 of this Disclosure Document. We also require that you have a 2-day "soft opening" prior to the grand opening. A soft opening is open to family, friends and other invited guests. It's customary that guests not pay for their meals at soft openings as the soft opening is intended to test operations and address any issues prior to opening to the public. Typically, soft openings are held the Friday and Saturday immediately prior to Monday opening. You must open to the public on a Monday.

(15) Architect/Designer. This is an estimate of charges for an architect or designer to design and prepare plans for your Restaurant.

(16) Additional Funds (3 months). Before opening and during your start-up phase, you will need capital to support other initial expenses, such as payroll and utilities that might not be covered by sales revenue. We estimate that the disclosed amount will be sufficient to cover expenses for your first 3 months of Restaurant operations. This is, however, only an estimate. You may have additional expenses or need additional working capital during and/or after this start-up phase. Your actual costs will depend on many factors. These estimates are based upon our Affiliate's and our franchisees' experience. The estimates include employee salaries while attending our initial training.

**7.B. YOUR ESTIMATED INITIAL INVESTMENT
(SINGLE BROKEN YOLK CAFE® RESTAURANT)
(Note 1)**

Type of Expenditure	Amount	Method of Payment	When Due	To Whom Paid
Initial Franchise Fee (Note 2)	\$20,000	Lump Sum	When you sign your Franchise Agreement	Us
Training Fee and Pre-Opening Support (Note 3)	\$25,000	Lump Sum	When you sign your Franchise Agreement	Us
Additional Training Fee (Note 4)	\$0-\$1,000	\$0-\$1,000 (per person for the 6th and each subsequent person trained)	Lump Sum One Week Before Training	Us
Travel and Living Expenses While Training (Note 5)	\$0-\$17,500	As required	Before Opening	Airline, hotel, restaurants
Building and Improvements (Note 6)	\$165,000-\$650,000	As required	As incurred	Sellers, landlords, contractors, vendors
Utility Deposits (Note 7)	\$5,000-\$12,000	As required	Before Opening	Utility companies

Type of Expenditure	Amount	Method of Payment	When Due	To Whom Paid
Signs (indoor and outdoor) (Note 8)	\$18,000-\$23,000	As required	Before Opening	Approved Supplier
Equipment, Fixtures and Furnishings (Note 9)	\$165,000-\$600,000	Will vary	Will vary	Approved Suppliers
POS System (Note 10)	\$18,900-\$30,000	Lump Sum	Before Opening	Approved Supplier
Opening Inventory and Uniforms (Note 11)	\$18,750-\$35,000	As required	Before Opening	Approved Suppliers
Menus	\$800-\$2,000	As required	Before Opening	Approved Suppliers
Business License (Note 12)	\$2,000-\$4,000	Cash	Before Opening	City, county or state agencies
Insurance (Note 13)	\$4,500-\$12,000	As required	Before Opening	Insurance company
Opening Advertising (Note 14)	\$5,000	As required	Before Opening	Various advertising suppliers
Architect/Designer (Note 15)	\$6,000-\$31,000	As required	As Needed	Will vary
Additional Funds-First 3 months of operations (Note 16)	\$90,000-\$160,000	As required	As Needed	Various
TOTAL	\$543,950-\$1,627,500	As required	On Demand	Various

NOTES:

(1) This table provides estimates to open a Broken Yolk Café® Restaurant including your initial investment from the period before your Restaurant opens for business through approximately the first 3 months of operation. We used our Affiliate's and our franchisees' experiences in operating Broken Yolk Café® Restaurants to make these estimates. These are only estimates and are based upon approximately 34 Broken Yolk Café® Restaurants in operation for the full 2024 calendar year. If you convert a site that was not previously a restaurant, your conversion costs may be higher. The sources of funds listed above are amounts to be supplied from your own funds. No allowance has been made for inflation, debt service or interest payment on borrowed money but you should consider these. Unless specifically noted, none of the initial investment expenses listed in the table is refundable. Unless noted otherwise, we do not finance your initial investment.

(2) Initial Franchise Fee. If you sign a Franchise Agreement for a Single Restaurant, you will pay a non-refundable Initial Franchise Fee of \$20,000 upon signing the Franchise Agreement. This Initial Franchise Fee will be uniform as to all new franchisees purchasing a single Restaurant under this disclosure document. We do not currently offer financing for the Initial Franchise Fee, nor do we offer financing for any other item you must purchase. If you sign an Area Development Agreement, please see Chart 7.A. above.

(3) Training and Pre-Opening Support Fee. This fee covers initial restaurant operations training for 5 people and our review and assessment of each qualified site proposed by you for your Franchised Business (including travel and other related expenses), our plans, specifications and guidance in connection with the development and opening of your Restaurant(s).

(4) Additional Training Fees. Trainees typically include you, your Operations Director/General Manager, your Kitchen Manager, your Assistant Manager, your Prep Cook and your Lead Server. For the 6th and each subsequent person requiring training, you will pay us a fee of \$1,000. The low end of the total estimated cost range assumes that no more than 5 people attend training. The high end of the estimated cost assumes 1 extra person attends training. Your costs may be more depending on the number of employees you choose to attend training. At least one equity owner must complete initial restaurant operations training, unless the equity owner will not be a part of operations, in which case the equity owner must attend Executive Training for one week only. All managers (including your Operations Director/General Manager, Assistant Manager and Kitchen Manager) must also complete our restaurant initial operations training program, as discussed in Item 11.

5. Travel and Living Expenses While Training. You must pay transportation and living expenses of your managers or other attendees during training. As you will determine the amount paid for those expenses, we are only able to provide an estimate of expenses you will incur during training.

6. Building and Improvements. You will need an end-cap or free-standing building that is approximately 3,750 to 4,500 square feet and has 45 to 60 parking spaces in close

proximity. The cost of leasing this type of space varies based on location, square footage, age and condition of the structure, lease terms and other factors. The cost of construction and leasehold improvements further depend on the size and condition of the premises, the local cost of contract work, and the layout and location of the store. The lower figures represent pre-existing restaurants that were converted from another brand to Broken Yolk Cafe®. The higher figures represent sites that were formerly used for other non-restaurant applications or were brand new sites. These figures include only projected leasing cost ranges because purchasing a site is not anticipated or contemplated. We anticipate that your Broken Yolk Cafe® Restaurants will be located in anchored shopping centers with sites available for lease.

7. Utility Deposits. Utility companies may require a deposit before installing telephone, gas, water, electricity and other utility services. The deposits may be refundable in accordance with agreements made with utility companies.

(8) Signs. You will install exterior signage at your site as we designate and as allowed by the landlord. The low estimate assumes minimal use of fixed signage. The high estimate assumes extensive use of fixed and temporary signage. All signage must be installed according to our specifications.

(9) Equipment, Fixtures and Furnishings. The costs for equipment, fixtures and furnishings vary depending on the size of your building and whether you are converting an existing restaurant facility, building from a shell or constructing a ground-up facility. The figures shown may vary from one site to the next depending upon site specific conditions such as taxes, permit fees, logistics, shipping, delivery and installation charges, restaurant location and location requirements. This category includes food preparation and other kitchen equipment, refrigerator, freezer, office equipment, janitorial equipment, tables, chairs, lighting, and dining room decorations. We will provide you a list of Approved Suppliers, Distributors and Manufacturers for these items, all of which must be installed according to our specifications.

(10) POS System. You must purchase a point-of-sale (POS) system and hand-held tablets from our Approved Supplier. The estimated costs include installation and training. You will also need to purchase a cloud-based software subscription which typically ranges from \$3,500 - \$7,500 annually.

(11) Opening Inventory and Uniforms. You will need opening inventory to operate your Restaurant, including uniforms, logo merchandise and promotional materials. This expense is payable to our Approved Suppliers, Distributors and Manufacturers.

(12) Business Licenses. You will be required to obtain a business license, health department license, food management certificate and alcoholic beverage license permitting the sale of beer and wine. Licenses and permits must be obtained from the city, county and/or state with jurisdiction and will often vary by jurisdiction.

(13) Insurance. You will be required to obtain insurance. Insurance premiums may vary; the figure listed represents an average 1-year premium. You must obtain general liability

coverage including contractual liability and advertising injury coverage of at least \$2,000,000 aggregate naming us as additional insured and with not more than \$10,000 deductible. Alternately, you may obtain self-insurance. You must additionally secure fire and extended coverage insurance on the Restaurant and your property, business interruption insurance, worker's compensation insurance, Employer Practices Liability Insurance ("EPLI") as specified by us and unemployment and state disability insurance as required by law. EPLI policy premiums can range from \$1,500 to \$4,500 annually depending upon geographic and other insurance industry factors and this range is included in the figures shown in the foregoing Item 7 chart. If you undergo any construction, reimagining or remodeling of the Restaurant, you must obtain builder's risk insurance for the project. We have the right to occasionally revise your required coverage and coverage amounts to commercially reasonable amounts.

(14) Opening Advertising. You must spend at least \$5,000 on grand opening advertising and promotion for your Restaurant covering the period beginning 15 days prior to the Restaurant opening date and ending 3 months after the opening. This amount is in addition to the Marketing Fund and local store advertising fee requirements described in Item 6 of this Disclosure Document. We also require that you have a 2-day "soft opening" prior to the grand opening. A soft opening is open to family, friends and other invited guests. It's customary that guests not pay for their meals at soft openings as the soft opening is intended to test operations and address any issues prior to opening to the public. Typically, soft openings are held the Friday and Saturday immediately prior to Monday opening. You must open to the public on a Monday.

(15) Architect/Designer. This is an estimate of charges for an architect or designer to design and prepare plans for your Restaurant.

(16) Additional Funds (3 months). Before opening and during your start-up phase, you will need capital to support other initial expenses, such as payroll and utilities, which might not be covered by sales revenue. We estimate that the disclosed amount will be sufficient to cover expenses for your first 3 months of Restaurant operations. This is, however, only an estimate. You may have additional expenses or need additional working capital during and/or after this start-up phase. Your actual costs will depend on many factors. These estimates are based upon our Affiliate's and our franchisees' experience. The estimates include employees' salaries while attending our initial training.

ITEM 8. RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

To ensure that the highest degree of quality and service is maintained, you must operate the Restaurant in strict conformity with our methods, standards and specifications and you must purchase only Approved Products and Services from Approved Suppliers, Distributors or Manufacturers we designate. This includes goods, services, supplies, logo merchandise, fixtures, equipment, POS hardware and software, menus, and inventory that comply with our specifications, standards and restrictions. We estimate that substantially all of your expenditures for leases and purchases in establishing your Restaurant will be subject to our specifications and standards. Upon signing the Franchise Agreement, we

will give you a list of Approved Products and Services, Approved Suppliers, Distributors and Manufacturers and approved software-as-a-service (SaaS) subscriptions.

If we have not designated an Approved Supplier, Manufacturer or Distributor for a particular product or service, you may use one of your choosing provided that they are able to supply the Approved Product or Service according to our specifications and that we have approved them as a supplier in advance of your contracting them.

If we designate more than one Approved Supplier, Distributor or Manufacturer for an Approved Product or Service, you may purchase from any of the designated Approved Suppliers, Distributors or Manufacturers.

Using products or services other than those on the Approved Products and Services list is a default under the Franchise Agreement and if uncured, can result in the termination of your Franchise Agreement.

Using suppliers, manufacturers, distributors other than those on the Approved Suppliers, Distributors and Manufacturers list is a default under the Franchise Agreement and if uncured, can result in the termination of your Franchise Agreement.

We do not provide you with any material benefit, such as the grant of an additional franchise or a renewal franchise, based on your use of approved products or services, Approved Suppliers, Distributors or Manufacturers.

Request for Variance Use of Alternative Products, Services, Suppliers, Manufacturers and Distributors

Any purchase by you of food products, beverages, supplies, materials, menus, fixtures, furniture, equipment, signs or any other item that has not been identified as “Approved” or “Designated” by us, must be requested in writing in advance and according to our then-current Request for Variance procedures. Additionally, any purchase by you of approved food products, beverages, supplies, materials, menus, fixtures, furniture, equipment, signs or any other item from a supplier, manufacturer or distributor that has not been identified as “Approved” or “Designated” by us, must, likewise, be requested in writing in advance and according to our then-current Request for Variance procedures. Upon our review of the Request for Variance, which may take 90 - 180 days to complete, we will notify you of our response to your request. As described in Item 6, you must reimburse us for our reasonable costs and expenses in connection with our evaluation of the requested product, service or supplier. You must also reimburse us for amounts paid to independent laboratories or consultants, chosen by us, in our sole discretion, to assist in the evaluation. We have the right to approve or deny proposals to add new products, services, distributors, manufacturers or suppliers.

Establishing Accounts with Approved Providers

You must directly establish accounts with our Approved Suppliers, Distributors and Manufacturers.

Although we are not obligated to do so, we currently negotiate purchase arrangements, including pricing, with some suppliers, manufacturers and distributors for the benefit of all Broken Yolk Cafe® franchisees. Some of these arrangements may include procuring discounts and rebates as well as other favorable terms for the benefit of franchisees, but there is no assurance these will be available.

We have established strategic alliances or preferred supplier programs with suppliers to supply some products or services to some or all of the Restaurants in our system. In order to maintain high quality brand standards, if/when we establish these types of alliances or programs, we limit the number of Approved Supplier, Distributor or Manufacturer with whom you may deal and designate sources you must use for some or all products and services, which may be exclusive suppliers and can include us or our Affiliate.

Rebates and Purchasing Cooperatives

From time to time, allowances, rebates, credits, monies, refunds and other benefits or incentives are arranged with Approved Suppliers, Distributors or Manufacturers. We may retain, share or make other arrangements related to some or all of these amounts, in our sole discretion and any arrangements may be changed by us at any time.

There are no franchisee purchasing or distribution cooperatives.

Purchase of Equipment, Furniture, Fixtures, Décor, Displays and Signs

You must use furnishings, fixtures, equipment, décor, displays, wall art and signage for your Restaurant that:

- (a) Meet our specifications and standards;
- (b) Are approved by us before you purchase or lease them;
- (c) Are purchased or leased only from our Approved Suppliers, Distributors or Manufacturers; and
- (d) Are installed and utilized in strict accordance with our specifications.

Food Products, Beverages, Supplies, Materials and Menus

You must purchase only Approved food products, beverages, supplies, materials and menus for your Restaurant that:

- (a) Meet our specifications and standards; and
- (b) Are purchased or leased (if applicable) only from our Approved Suppliers, Distributors or Manufacturers. If there is more than one Approved Supplier, Distributor or Manufacturer for an approved product or service, you may purchase from whichever you prefer.

Our Revenue from Sales or Leases to You

We are not an Approved Supplier, Distributor or Manufacturer and neither is our Affiliate. Our officers don't own an interest in any Approved Suppliers, Distributors or Manufacturers. We and our Affiliate reserve the right to make a profit on products or services that we or third-parties provide to you, although we don't currently do so.

In 2024, we did not derive any revenue from our franchisees related to required purchases or leases.

For the fiscal year ended December 31, 2024 our Affiliate derived no revenue or other material consideration from required purchases or leases by franchisees.

Proportion of Total Purchases

We estimate that required purchases comprise 75-80% of your total initial investment and 40-50% of your annual operating expenses. We estimate that required leases comprise 18-20% of your total initial investment, and 30-40% of your annual operating expenses. Please note that the above described percentages are not presented as a percentage of gross revenues, but rather as a percentage of annual operating expenses.

Specifications, Standards and Procedures

Each aspect of the interior and exterior appearance, layout, decor, services and operation of the Restaurant is subject to our specifications and standards. You must comply with all specifications, standards and operating procedures (whether contained in the Design Manual, Operations Manual or any other written communication) relating to the appearance, function, cleanliness and operation of the Restaurant.

Occasionally, we may modify the specifications, standards and operating procedures. These modifications will be included in replacement pages to the Design Manual or Operations Manuals and sent to you via email, regular mail or by another method we may occasionally select. When they occur, these modifications will be distributed to all franchisees in a timely fashion.

We may adopt new technology including cloud-based systems for on- and off-premise dining and ordering, online ordering, catering, third-party food delivery, inventory and food cost management, accounting, gift cards and loyalty programs, facilities

management, secret shopping and others. You must comply with and adopt all new technology and systems as we direct, if any, for your Restaurants, at your sole cost and expense.

Building Maintenance and Remodeling

Maintenance and repair of the Restaurant are solely your responsibility. For the term of the Franchise Agreement, you must, at your expense, maintain the Restaurant building, parking lot, equipment, wares, utensils, supplies and inventory in full working order and good repair. You must replace any of the equipment and repaint the Restaurant as necessary to maintain the Restaurant in good working order as more specifically described in Section 12 of the Franchise Agreement. You must make all repairs within 30 days of the date you or we identify the need for these repairs. Replacement equipment must be purchased from an Approved Supplier, Distributor or Manufacturer and must be of the same type and quality as are being installed in new Broken Yolk Cafe® Restaurants at the time replacement is required. All replacement equipment must comply with our requirements and specifications. You must, at your expense, keep the Restaurant in clean, safe and sanitary condition at all times in accordance with the Operations Manual, any lease or sublease for the Restaurant site, and all applicable federal, state and local laws and regulations.

During the term of the Franchise Agreement, we may require that you remodel the Restaurant at your sole expense and to then-current Broken Yolk Cafe® standards, format, design and image as designated in plans and specifications we provide. However, you will not be required to remodel more than once every 7 years during the term of the Franchise Agreement except in connection with a transfer by you of your Restaurant under Section 17 of your Franchise Agreement.

Catering, Off-Premise Dining and Third-Party Delivery

You will be required to participate in any off-premise dining catering programs we develop applicable to your Restaurant and will use only approved packaging and to-go materials from Approved Suppliers, Distributors and Manufacturers. You may be required to cover the cost of implementing an off-premise dining or catering program at your Restaurant.

You will be required to participate in any third-party delivery programs we develop applicable to your Restaurant. You may be required to cover the cost of implementing a third-party delivery program at your Restaurant.

Gift Cards

You must sell or otherwise issue the stored value cards or gift cards (together “Gift Cards”) that we provide or designate, and in the manner we specify. You must honor all Gift Cards regardless of whether a Gift Card was issued by your or another Restaurant. You may also be required to:

- (a) Enter into a separate agreement with a third-party provider of Gift Card services under the terms and conditions as may reasonably be required by that third party;
- (b) Purchase and maintain a sufficient number of Gift Cards;
- (c) Purchase or upgrade, as applicable, the hardware, software and equipment that is necessary to process Gift Cards;
- (d) Promote and sell the Gift Cards in your Restaurant using only marketing methods and materials we approve;
- (e) Comply with all laws, statutes and regulations in connection with the issuance and redemption of Gift Cards; and
- (f) Sign the documents, or take the actions, that we request in order to participate in the Gift Card program.

We may discontinue or modify the Gift Card program at any time, and upon receiving notice from us that we intend to do so, you must immediately cease offering and accepting Gift Cards or must make the modifications we require. Your costs to comply with the Gift Card Program are in addition to your Marketing Fund fees, local marketing expenditure obligations or other amounts you may spend for advertising and marketing.

Advertising by Franchisee

All of your local advertising is subject to our prior written approval. We require 10 business days to review and decide whether to approve any materials you submit to us. Using advertising that has not been approved in advance is a default under the Franchise Agreement and if uncured, can result in the termination of your Franchise Agreement.

We do not currently derive income from your purchase of local advertising.

You may not advertise businesses, products or services in your Broken Yolk Cafe® Restaurant unless you have received prior written approval from us. This includes any other businesses, services or products whether or not they are owned by you.

Lease of Premises

For each Broken Yolk Cafe® Restaurant you agree to open, you must give us a copy of your signed lease or deed for your approved Restaurant site (the "Premises") upon its signature, which must occur before commencement of construction of the Restaurant. You must also engage qualified architects, contractors and other construction professionals that are satisfactory to us. Under no circumstances may you commence construction on the site before you have 1) provided a signed lease or copy of your grant deed (for purchased sites);

2) signed the Franchise Agreement; and 3) paid the Initial Franchise Fee, Training and Pre-Opening Support Fee and/or any other required fees. If you are an Area Developer, you must have a signed lease or purchase agreement for each approved site at least 5 months before the opening deadline for the applicable Restaurant.

Any lease for the Premises must contain the following terms and conditions:

- (a) a covenant which restricts the landlord or its Affiliates from leasing in the same center to another tenant which operates a family-style, breakfast café/restaurant serving menu items similar to the Restaurant menu items;
- (b) the landlord's consent to your use of the Premises as a Broken Yolk Cafe[®] Restaurant which will be open during the required days and hours set out in the Operations Manual;
- (c) the landlord's agreement to furnish us with copies of any and all notices of default, if any, pertaining to the lease and the Premises, at the same time that the notice is sent to you;
- (d) our option, but not the obligation, to assume your occupancy rights under the lease for the remainder of its term if 1) you default under the lease; 2) the Franchise Agreement is terminated; or 3) we exercise our right of first refusal or right to purchase; and
- (e) that upon expiration or termination of the lease for any reason, you will remove all of our BYC Marks from the restaurant and modify the decor of the restaurant such that it no longer resembles, in whole or in part, a Broken Yolk Cafe[®] Restaurant and if you fail to do so, we will be given the right to enter the restaurant premises to make these alterations, without incurring any liability to your landlord or to you.

You are responsible for seeking independent legal advice regarding the terms and conditions of your lease document. We do not negotiate leases on behalf of franchisees.

Insurance

You must maintain current and effective insurance policies issued by carriers we approve for:

- (a) Comprehensive general and product liability insurance with coverage as we require, which will be no less than \$1,000,000 per occurrence and \$2,000,000 general aggregate;
- (b) General casualty insurance, including fire and extended coverage, vandalism and malicious mischief insurance, for the replacement value of the Restaurant and its contents;

- (c) Any other type of insurance policies, such as Employer Practices Liability Insurance, unemployment insurance, business interruption insurance and builders all risk, with coverage as we require; and
- (d) Worker's compensation, state disability and any other insurance as required by applicable law.

The general liability insurance carrier that you choose must carry an A.M. Best™ rating of at least A+. Each insurance policy must name us as a loss payee or an additional insured and must include other provisions as we require. Upon our request, you must deliver certificates of insurance or a copy of the subject policies to us. If you fail to deliver proof of insurance to us or if your insurance is canceled, expires or is otherwise terminated, we have the option to purchase the required insurance on your behalf and subsequently be reimbursed by you for its cost. We will not derive income from purchasing insurance for you.

ITEM 9. FRANCHISEE’S OBLIGATIONS

This table lists your principal obligations under the Franchise Agreement 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.

FRANCHISE AGREEMENT/AREA DEVELOPMENT AGREEMENT

Obligation	Section in Franchise Agreement/Area Development Agreement (“ADA”)	Item in Disclosure Document
a. Site selection and acquisition/lease	Franchise Agmt. Sections 4.1 and 4.2 ADA Sections 2.1, 2.2, 2.4 and 2.5	Items 11 and 17

Obligation	Section in Franchise Agreement/Area Development Agreement (“ADA”)	Item in Disclosure Document
b. Pre-opening purchases/leases	Franchise Agmt. Sections 4.1 and 4.2 ADA Sections 2.2, 2.5 and 7.1	Items 6, 7 and 8
c. Site development and other pre-opening requirements	Franchise Agmt. Sections 4, 5, and 6 ADA Sections 2.3, 2.4, 2.5, 3.0 and 7.1	Items 7, 11 and 17
d. Initial and on-going training	Franchise Agmt. Section 16 ADA Section (none)	Items 6, 7 and 11
e. Opening	Franchise Agmt. Sections 5.4 and 5.7 ADA Sections 2.1, 2.2 and 4.0; Exhibit B	Item 11
f. Fees	Franchise Agmt. Sections 6, 8, 17, and Schedule 2 ADA Sections 3.0, 5.3, 8.2 and 9.0	Items 5, 6, 7 and 11
g. Compliance with standards and policies/ Operating Manual	Franchise Agmt. Sections 11, 12, 13 and 14 ADA Sections 2.4, 10.1 and 10.2	Items 8 and 11
h. Trademarks and proprietary information	Franchise Agmt. Sections 2 and 21 ADA Section 6	Items 13 and 14

Obligation	Section in Franchise Agreement/Area Development Agreement (“ADA”)	Item in Disclosure Document
i. Restriction on products/ services offered	Franchise Agmt. Section 11.2, 11.4 and 11.5 ADA Section 6	Item 16
j. Warranty and customer service requirement	Franchise Agmt. Section 14 ADA Section (none)	Item 11
k. Territorial development and sales quotas	Franchise Agmt. Section 1.3 and Exhibit “A” ADA Recitals D and E, and Sections 1, 2.2, 2.7, 4 and 5	Item 12
l. Ongoing products/ service purchases	Franchise Agmt. Section 11 ADA Section (none)	Item 8
m. Maintenance, appearance and remodeling requirements	Franchise Agmt. Section 12 ADA Section (none)	Item 11
n. Insurance	Franchise Agmt. Section 9 ADA Sections 7.1, 7.2 and 7.3	Item 7
o. Advertising	Franchise Agmt. Section 8 ADA Section (none)	Items 6 and 11
p. Indemnification	Franchise Agmt. Section 9 ADA Section 7.4	Item 6

Obligation	Section in Franchise Agreement/Area Development Agreement (“ADA”)	Item in Disclosure Document
q. Owner’s participation/ management/ staffing	Franchise Agmt. Sections 14 and 16 ADA Section (none)	Items 11 and 15
r. Records/ reports	Franchise Agmt. Section 7 ADA Section 2.4	Item 6
s. Inspections/ audits	Franchise Agmt. Section 15 ADA Section (none)	Items 6 and 11
t. Transfer	Franchise Agmt. Section 17 and state addendum ADA Section 8 and state addendum	Item 17
u. Renewal	Franchise Agmt. Section 20 and state addendum ADA Section 9 and state addendum	Item 17
v. Post-termination obligations	Franchise Agmt. Sections 19 and 21 and state addendum ADA Section 11 and state addendum	Item 17

Obligation	Section in Franchise Agreement/Area Development Agreement (“ADA”)	Item in Disclosure Document
w. Non-competition covenants	Franchise Agmt. Section 21; Personal Guarantee; Investor Covenants Regarding Confidentiality and Non-Competition ADA Section 18 and Personal Guarantee	Item 17
x. Dispute resolution	Franchise Agmt. Sections 22 and 23 ADA Sections 7.4, 13.2 and 16	Item 17
y. Other: individuals bound to the agreements; guarantee of franchisee obligations	Franchise Agmt. Sections 17.4 and 23.2; Personal Guarantee ADA Section 7.5 and Personal Guarantee	Item 15

ITEM 10. FINANCING

We do not offer any direct or indirect financing or guarantee your note, lease or any other 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 Obligations

We will provide the following pre-opening assistance:

- (a) Sample plans and a sample layout for a typical Broken Yolk Cafe® Restaurant (Section 5.2 of the Franchise Agreement);

- (b) Specifications for Restaurant buildout including interior and exterior finish materials (Section 5.2 of the Franchise Agreement);
- (c) At least two on-site visits during the construction phase of your Restaurant (Section 5.4 of the Franchise Agreement);
- (d) A list of our Approved Products and Services (Section 11.4 of the Franchise Agreement);
- (e) A list of our Approved Suppliers, Distributors and Manufacturers (Section 11.4 of the Franchise Agreement);
- (f) A list of our Approved Technology and Software-as-a-Service (SaaS) providers;
- (g) Order guides for equipment, inventory, smallwares and other required items (Section 5.5 of the Franchise Agreement);
- (h) Assistance with ordering processes and methods and initial parameters and pre-programming for Franchisee's POS program (Section 5.5 of the Franchise Agreement);
- (i) A logo and trademarks guide (Section 2.1 of the Franchise Agreement);
- (j) A Customer Service/Brand Standards & Requirements template for your Restaurant (Section 16.1 of the Franchise Agreement);
- (k) A Critical Path To Opening Checklist (Section 5.4 of the Franchise Agreement);
- (l) Access to our cloud-based intranet portal (Section 21.4 of the Franchise Agreement);
- (m) A loaned copy of our Operations Manual, which currently totals 146 pages. The table of contents of the Operations Manual is attached to this Disclosure Document as Exhibit F (Section 11.1 of the Franchise Agreement);
- (n) Initial restaurant operations training for up to 5 persons at no additional fee (typically you and your Operations Director/General Manager, Kitchen Manager, Prep Cook and Lead Server). You may also elect to send subsequent managers or other persons (for additional Restaurants or replacement managers) to initial restaurant operations training conducted by us at a site we designate, for an additional fee (noted in Item 6 - Other Fees) (Section 16.1 of the Franchise Agreement); and

- (o) Our Broken Yolk Cafe® Certified Training Team to work with you in your Restaurant for 1 week before, and 1 week after, your grand opening date (Section 16.1 of the Franchise Agreement).

Continuing Obligations

We will provide the following assistance during your operation of the Restaurant:

- (a) Develop and engage in advertising, public relations and promotional campaigns designed to promote and enhance the value of Broken Yolk Cafe® Restaurants (Section 8.1 of the Franchise Agreement);
- (b) Protect and defend you against any claims or challenges arising out of your authorized use of our trademarks (Section 21.1 of the Franchise Agreement);
- (c) Periodically inspect your Restaurant and deliver an evaluation to you (Sections 15.1 and 15.3 of the Franchise Agreement);
- (d) Periodically modify the Operations Manual to reflect changes in standards, specifications and operating procedures (Section 11.1 of the Franchise Agreement); and
- (e) Provide restaurant operations training to subsequent managers hired by you for the additional fee noted in Item 6, “Other Fees” (Section 16.2 of the Franchise Agreement).

Site Selection and Approval

We will provide our then-current real estate site criteria for each new Broken Yolk Cafe® Restaurant site (Section 4.1 of the Franchise Agreement).

Within 120 days of signing your Franchise Agreement or Area Development Agreement, you must submit at least one proposed site for the Restaurant to be developed, together with site information that we may reasonably require to evaluate the proposed site(s). You will retain a commercial real estate broker to assist you in identifying prospective sites for your Restaurant. The broker must be fully licensed and bonded and will be subject to our approval.

At our own expense and after submission of all requested information, we will conduct an on-site evaluation of each proposed site for which you have provided all necessary evaluation information, and which meets the below criteria. Within 30 days of your submission of the required materials, we will use commercially reasonable efforts to approve or reject, in accordance with our then-current site criteria, your proposed site. We will send you written notice of our acceptance or non-acceptance of the site. If we do not accept the proposed site, you must submit another site for approval (Section 4.1 of the

Franchise Agreement). Although the Franchise Agreement does not specify any consequences if you and we cannot agree on a site for your Restaurant, it does specify that your Restaurant must be open and operating within 12 months of the date of the Franchise Agreement (or by the deadline specified in the Area Development Agreement, if you are a Developer) or we can terminate the Franchise Agreement/Area Development Agreement. You are also required under an Area Development Agreement to have a fully-executed lease or purchase agreement for each approved site no less than 5 months before the applicable opening deadline date. Failure to have a fully-executed lease or purchase agreement by the required date may result in termination of the Area Development Agreement and/or applicable Franchise Agreement(s).

If operations of your existing Restaurants are not in compliance with our specifications, standards and operating procedures, you will be required to bring those Restaurants into compliance before being permitted to open additional Restaurants under your Area Development Agreement. Failure to have your existing Restaurants operating according to our standards may result in termination of the Area Development Agreement and/or applicable Franchise Agreement(s).

Site criteria currently include the following, but can change in the future:

- (a) 3,750-4,500 square feet of interior space (seating for 125-180);
- (b) 1,000-1,500 square feet of outdoor patio space (seating for 20-30), if unavailable, you must request that we waive this requirement in writing prior to signing the lease. We will assess each request on a case by case basis;
- (c) A freestanding building or end cap in a highly-visible strip center, regional center, community center, power center or lifestyle center;
- (d) Good visibility from the street;
- (e) Ample parking (at least 12 spaces per 1000 s.f.);
- (f) Sufficient ingress and egress to the Restaurant site; and
- (g) Ability to display Broken Yolk Cafe signage on at least one building elevation (Section 4.4 of the Franchise Agreement).

Additionally, we currently evaluate the following trade area demographics in connection with our site approval process:

- (a) Mix of residential, commercial and business daytime population;
- (b) 25,000/200,000/350,000 households within a 1/3/5-mile radius of the site;

- (c) 10,000 daytime population within a 1 mile radius of the site;
- (d) 10% above local median household income; and
- (e) 25,000 average daily traffic count at primary intersection (Section 4.4 of the Franchise Agreement).

Within 90 days after our site acceptance, you must submit in writing to us:

- (a) a copy of the fully executed lease of the site for a term which, with renewal options, is at least the initial term of the Franchise Agreement. The lease must contain the provisions required in Section 4.2 of the Franchise Agreement; or
- (b) a copy of the fully executed agreement to purchase the approved site on terms provided in your Franchise Agreement, subject only to obtaining necessary governmental permits.

If you have an Area Development Agreement, you must obtain our approval for each Restaurant location. You will be granted a Designated Area for each Restaurant consistent with our then-current standards.

Franchise Agreement

After signing the Franchise Agreement, you must achieve certain milestones to assure the timely development of your Restaurant. You must obtain an approved site, complete construction and open the Restaurant within 12 months of your signing the Franchise Agreement. If you sign an Area Development Agreement, you must open each Restaurant in compliance with your Development Schedule, which may have a different Restaurant opening timeframe than stated above. You are responsible for the development process.

Before a Restaurant can open for business you must do the following:

- (a) provide a letter from your general contractor confirming that Restaurant build out meets approved final plans and specifications;
- (b) provide a copy of the Restaurant certificate of occupancy as provided by local governmental authorities;
- (c) have all designated staff members, including the Operations Director/General Manager, Assistant Manager, Kitchen Manager, Prep Cook and Lead Server successfully complete our initial restaurant operations training program;

- (d) provide a fully executed copy of the Restaurant lease, including the collateral assignment of lease form;
- (e) pay in full all Initial Franchise Fees, training fees and other outstanding amounts due to us;
- (f) provide the completed and signed Authorization Agreement for Pre-Arranged Payments (Direct Debits) and ADA and Related Certifications form attached to your Franchise Agreement as exhibits E and F;
- (g) complete all items on the pre-opening checklist we provide to you; and
- (h) receive our approval to open your Restaurant.

Factors that may affect the length of time needed to open the Restaurant include, site selection, lease negotiations and approval, financing, building permits, weather and other construction requirements. If, as a result of a force majeure event, you are unable to open your Restaurant within the required 12 months, or if you're a developer, by the date specified by your Development Schedule, we will extend the time allowed for you to complete these items and open the Restaurant for a period equal to the duration of the force majeure event. We estimate that the typical time between signing the Franchise Agreement and opening is 6 to 12 months.

Training

Before you open your Broken Yolk Cafe® Restaurant, you and other key participants (inclusive of the Operations Director and General Manager) must complete, to our satisfaction, an initial restaurant operations training program, including the ServSafe® certification (Section 16.1 of the Franchise Agreement). An Operations Director (which may be you) must be appointed to supervise all operations at the Restaurant. For area developers, training must be completed before you open the first Restaurant listed on your Development Schedule. Training will take place at a Broken Yolk Cafe® Restaurant we designate. The initial restaurant operations training program typically starts 6 weeks in advance of the anticipated Restaurant opening and must be completed at least 15 days before the anticipated Restaurant opening. All training programs are directed by our Franchise Training and Support Coordinator, Crystal Ortiz, and our Lead Trainer, Karen Graham, each of whom has at least 9 years of experience in the restaurant industry and/or in management, and have been with us since our inception. Training may also be conducted by a Training Manager who has been certified for training on the basis of his or her knowledge and application of our standards for Restaurant operations and has a minimum of 3 years of experience relevant to both the subjects taught and with our operations. Currently this training is conducted at the Broken Yolk Cafe® Restaurant at 1851 Garnet Avenue, San Diego, CA 92109, but we may designate other locations. Training is offered on an as-needed basis.

The initial restaurant operations training program consists of hands-on training in the operation and management of the Restaurant. Instructional materials for the initial restaurant operations training program include our Operations Manual, job aids, recipe books, ServSafe® manual, access to our cloud-based programs and other materials we may occasionally create and/or use. A copy of the table of contents of the Operations Manual is attached to this offering as Exhibit F. For each newly opened Restaurant, we will provide a set of the required training materials at no cost to you.

Other than the salary, travel expenses and other costs relating to you and your other attendees, there will be no charge to you for you and your attendees at the initial restaurant operations training program for your Restaurant (inclusive of your Operations Director). However, you will be charged a reasonable fee, which is currently set at \$1,000 per trainee and is subject to change, for any additional training as well as for replacement initial restaurant operations training requested for the 6th and each subsequent attendee. This fee will cover the fee for participation and materials provided to the trainee (Section 16.1 of the Franchise Agreement). Ongoing training materials supporting new product or process introductions will be provided if we believe they are necessary and/or appropriate. Our current policy is to offer on-going training materials to you at no cost (one set per Restaurant), but we can change this policy in the future.

All managers, including the Operations Director, in your Restaurant must be certified in the initial restaurant operations training program. If we allow a non-equity owner to be your Operations Director, an individual with equity ownership must also complete, or have completed, initial restaurant operations training prior to the Restaurant opening. If you are required to replace a manager, including an Operations Director, you must 1) designate a replacement within 30 days of the original manager's/Operations Director's departure, 2) ensure that the replacement has already completed our restaurant operations training or completes it at a location we select within 60 days of being designated the replacement, and 3) pay any applicable training fee for the new manager's/Operations Director's training.

We offer a 1-week "Executive Training" course for equity owners who will not be involved in the day-to-day Restaurant operations. At least one equity owner must attend and complete this Executive Training before you open your first Restaurant. This training is included in the Initial Franchise Fee and is open to all of your equity owners. Any equity owner who attends our Executive Training is not counted toward the 5-trainee maximum allowed as part of your Initial Franchise Fee. This training is currently held at the Broken Yolk Cafe at 1851 Garnet Avenue in San Diego, California and is led by the Trainers noted above. Our Executive Training will provide a condensed version of the basic subject matter covered in our initial restaurant operations training program. This must be completed before you open your 1st Restaurant.

In the future, we anticipate certifying geographically dispersed franchised Restaurants as training Restaurants if they meet our criteria for certification.

Currently, all Broken Yolk Cafe® restaurant operations training programs and materials are produced and delivered in English only.

The initial restaurant operations training program runs approximately 4 weeks and consists of both on-the-job and classroom training (see applicable charts below). Our current initial training program is typically as described below, but all elements of initial training, ongoing requirements and certification programs/criteria are subject to change by us.

TRAINING PROGRAM

Franchisee*, General Manager/Operations Director, Kitchen Manager (4 weeks); Prep Cook (2 weeks); Lead Server (1 week)

Subject	Hours of Classroom	Hours of In-Restaurant	Location
Front-of-the-house operation	4	18	San Diego, CA
Front-of-the-house POS System	6	14	San Diego, CA
Food plating, expediting and serving	6	20	San Diego, CA
Ingredient, recipe and entrée prep	1	10	San Diego, CA
Ordering and inventory control	2	8	San Diego, CA
Hot line and wheel management	5	25	San Diego, CA
Kitchen sanitation and cleanliness	8	8	San Diego, CA
Suggested staffing	4	4	San Diego, CA
Intranet portal training	2	2	San Diego, CA
Back-of-the-house POS	2	7	San Diego, CA
Train the Trainer	4	0	San Diego, CA
Total	44	116	

* If the Franchisee will not be part of day-to-day operations/will hire a separate General Manager/Operations Director, Franchisee is required to attend 1-week Executive Training.

You are responsible for the transportation, lodging and other costs incurred while participating in the initial restaurant operations training program. Your Kitchen Manager, Lead Server and Prep Cook are required to attend with you those portions of the initial restaurant operations training program necessary for certification in their respective roles. A Kitchen Manager will be in attendance for 4 weeks, the Prep Cook will be in attendance for approximately 2 weeks and the Lead Server will be in attendance for approximately 1 week (some of these may be non-consecutive weeks or days). You are also responsible for the salaries, transportation, lodging and other costs they incur while participating in their portions of the program.

In addition to the initial restaurant operations training program described above, we will work with you in your Restaurant for approximately 1 week before, and approximately

1 week after your grand opening date, although the exact periods in each circumstance may vary.

Refer to the chart below for general on-site subjects/activity. You are required to follow our then-current standards for Restaurant openings as provided in the Operations Manual, including requirements related to soft openings, opening dates and grand openings. You are required to schedule a minimum of 2 days for a soft opening preceding your grand opening. The soft opening must occur on Friday and Saturday of the same week. The Restaurant will be closed that Sunday and opened to the general public the next day (Monday). Each of your managers, prep cook and lead server who attended the initial restaurant operations training program must participate in these pre-opening and opening activities.

On-Site Subjects/Activity At Franchisee Restaurant

Subject	Hours of Classroom Training	Hours of In-Restaurant Training	Location
Back of House - Set up	0	8	Franchisee's restaurant
Back of House – Menu and Recipe Training	2	20	Franchisee's restaurant
Front of House - Set up	0	6	Franchisee's restaurant
Menu Knowledge – Including tests administered to all staff	4		Franchisee's restaurant
Brand standards training	2	2	Franchisee's restaurant
Daily operations training	2	8	Franchisee's restaurant
POS review and training	1	4	Franchisee's restaurant
Mocks – Full front of house and back of house staff	0	14	Franchisee's restaurant
Soft Opening Day 1 – Friends & Family	0	8	Franchisee's restaurant
Soft Opening Day 2 – Friends & Family	0	7	Franchisee's restaurant
Prior day issues addressed	0	2	Franchisee's restaurant
Total	11	79	

The Restaurant must not be opened until we are satisfied that you have met quality standards and that you, your managers and other Restaurant personnel have been adequately trained on all Broken Yolk Cafe® systems and processes. Approximately 4 weeks prior to your anticipated opening date, we will send an operations manager to your restaurant to assess whether quality standards have been met and the restaurant may open on the projected opening date. If approved for opening, we will schedule the training team to arrive approximately 10 days prior to the projected opening date. For the first 3 days, the training team will assist with final set up and training will start 7 days prior to the anticipated opening date.

If the restaurant opening is not approved for the projected opening date, we will provide a list of outstanding items that must be completed. Once those items have been completed to our satisfaction, we will determine a new projecting opening date and schedule the training team to arrive 10 days in advance of that date.

If you or a manager are required to attend a remedial training class, you will be charged a fee for that attendee's participation and materials (Section 16.1 of the Franchise Agreement).

Based, in part, upon the size and seating capacity of your Restaurant, a Customer Service Standards & Requirements template will be provided to you in connection with your training. The template will include staffing recommendations. You must staff the Restaurant at all times with a sufficient number of trained employees to maintain quality standards. Each manager must be ServSafe® certified and each shift must have a manager who has completed our restaurant operations training program and received a ServSafe® certification as indicated in the Operations Manual. We may occasionally provide continuing restaurant operations training on operational standards as necessary to ensure quality standards are met and maintained (Section 16.1 of the Franchise Agreement).

We may, but are not obligated to, provide continuing operations training to reinforce operational standards and new product roll outs. If we do provide continuing training, applicable management personnel will be required to attend and you are responsible for any training-related expenses, which may include a training fee.

Marketing Fund Fees and Marketing Fund

You will be required to contribute 1% of your monthly Gross Sales to the Marketing Fund. The Marketing Fund is used for marketing and other related purposes that we deem appropriate for promoting the entire BYC System. We have sole discretion over all matters relating to the Marketing Fund operations and financial management. The Marketing Fund may be used for marketing surveys and research; employing public relations firms; developing and maintaining Internet website communications; creating digital and social media campaigns and paid ads; preparing and producing video, audio and written marketing materials; buying Internet, TV, radio, magazine, billboard, newspaper and other media advertising; employing advertising agencies; providing or selling marketing materials to Broken Yolk Cafe® Restaurants and holding conventions and meetings for personnel of Broken Yolk Cafe® Restaurants. We can compensate ourselves or an Affiliate for internal costs, including expenses incurred for salaries, production, research and creative services as well as other goods and services delivered by us or an Affiliate to the Marketing Fund. We also may allocate funds as reimbursement for internal expenses (including applicable staff salaries) incurred in administration of the Marketing Fund, such as accounting, recordkeeping and overhead costs. The Marketing Fund can be used for paying costs to account for and report on contributions, expenditures and related activities of the Marketing Fund. We may use Marketing Fund revenue for local, regional or national coverage at our discretion (Sections 6.1 and 8.1 of the Franchise Agreement). Your contributions to the Marketing Fund are non-refundable.

You must participate in all system-wide marketing programs. Failure to do so may cause you to be in default on your Franchise Agreement.

We may cause the Marketing Fund to develop and market promotional items such as consumer merchandise bearing the Broken Yolk Cafe logo. If we develop such merchandise, those items will be made available to you for purchase through an Approved Supplier, and you must maintain a representative inventory of promotional items in accordance with our requirements.

The Marketing Fund may develop programs that include special offers and discount coupons, all of which you must honor. We have no obligation to reimburse you for any cost or discount related to acceptance of coupons or special offers.

Two Restaurants in San Diego County originally licensed by our Affiliate do not pay Marketing Fees. All other franchisees are required to contribute to the Marketing Fund.

We can, but are not obligated to, collect and contribute to the Marketing Fund any advertising or other rebates we receive from suppliers or others.

We can, but are not required to, keep contributions to the Marketing Fund in accounts separate from our other funds. The Marketing Fund will not be used to defray our general operating expenses, except we may allocate a portion of the Marketing Fund to reimburse ourselves for internal marketing-related expenses incurred (including an allocation of employee salaries) and as otherwise described above.

We will have sole discretion over the expenditures and all aspects of the activities funded by the Marketing Fund, including national and regional media, creative concepts, materials, market research, customer feedback, product research and analysis, endorsements, timing, placement, allocation, scope of advertising, ad agency relationships and others. If we hire personnel, establish a department, or form a separate entity for advertising and promotion, we can use the Marketing Fund to pay for those expenses. In any year, we may spend an amount that is greater or less than the aggregate contributions made by all Broken Yolk Cafe® Restaurants in that year. The Marketing Fund may borrow from us or other lenders to cover deficits in the Marketing Fund and repay these loans in the same, or a subsequent fiscal year. The Marketing Fund may invest any surplus for future use. We do not act as a trustee or in any other fiduciary capacity with respect to the Marketing Fund. We have no obligation to ensure that expenditures by the Marketing Fund are or will be proportionate or equivalent to contributions to the Marketing Fund by you and other Restaurants operating in your geographic area, or that you will benefit directly, indirectly or in proportion to your contribution to the Marketing Fund. We do not use the Marketing Fund to attract or solicit new franchisees. There is no guarantee that the Marketing Fund will be used to promote your individual Restaurant or area at any time (Sections 6.1, 8.2 and 8.3 of the Franchise Agreement).

If you are in default of the Franchise Agreement or any other agreement with us, we can deny you access to programs and benefits funded by the Marketing Fund.

Upon request, and if you are in compliance with your Franchise Agreement, we will provide you an accounting of any Marketing Funds received and a generalized allocation of expenditures made in the previous year with respect to the Marketing Fund. This accounting will not be audited and will not be given to you more than once annually.

During 2024, Marketing Fund expenditures were made as follows:

Production and Printing	29%
Media Placement	15%
Digital Platforms	28%
Administrative	27%
Other	1%
(Bank charges, insurance, payroll fees associated with marketing department salaries)	
	100%

78% of all Marketing Fund contributions collected were spent in the fiscal year ended 12/31/24. Remaining balances from prior years, if any, will roll over and be spent in subsequent years. As of the date of this Disclosure Document, there is no franchisee advertising council and you are not required to participate in a local or regional advertising cooperative. We may initiate such programs at a later date and you agree to participate, if required to do so, at such later date.

Local Marketing Requirements

In addition to the Marketing Fund contribution of 1% of Gross Sales, you will be required to spend 2% of your Restaurant's Gross Sales in local marketing efforts to support your Restaurant. We will not collect the 2% from you, provided, however, that you use these funds directly for all aspects of approved local marketing including, but not limited to, coupons, direct mail, TV or radio advertisement, special events, social media and other digital advertisement, fundraising and the like. At the end of the year, you may be asked to submit invoices verifying your annual local store marketing expenditures. If you have not spent at least 2% of your Gross Sales for approved local marketing activities, we may require that you contribute the amount of the local store marketing spending deficiency to the general Marketing Fund for the benefit of the BYC System in addition to other remedies that we may have if you breach the Franchise Agreement. Failure to spend 2% of your Restaurant's Gross Sales on local marketing efforts is a breach of your Franchise Agreement and may result in termination.

All marketing, in any format whatsoever, which has not been approved in writing by us in advance of its publication, is not permitted. We may approve or reject submissions of marketing materials in our sole discretion. You will follow our policies concerning your

use of the Internet, social media and any other media, whether that media now exists or may be developed in the future (Section 8.2 of the Franchise Agreement).

Grand Opening Advertising

You must spend at least \$5,000 on grand opening advertising and promotion for your Restaurant covering the period beginning 15 days prior to the Restaurant opening date and ending 4 months after the opening. This \$5,000 is in addition to the Marketing Fund and local store advertising fee requirements described in Item 6 of this Disclosure Document. (Section 8.4 of the Franchise Agreement). You must comply with any opening related requirements we include in the Manuals or other instructions to you including a soft opening. Currently, we require that you have a 2-day soft opening on the Friday and Saturday before your grand opening to the public on the following Monday. Upon request, we may provide you copies of advertising, marketing and promotion formats and materials that we prepare and consider suitable for use at local Broken Yolk Cafe® Restaurants. We may, but are not required to, develop grand opening materials which you will be required to purchase to advertise the opening of your Restaurant. All grand opening advertising materials and plans are subject to our prior approval (Section 8.4 of the Franchise Agreement).

Limited Local Store Marketing Reimbursement Policy

We will pay for approved local store marketing expenses for a new Restaurant, subject to the following limitations. Qualifying expenses are those relating to local advertising/promotional activities and materials for a new Restaurant and which are: i) pre-approved by us in writing; ii) completed by you within 6 months of the Restaurant opening date; and iii) made in addition to the \$5,000 grand opening marketing requirement described above and the Marketing Fund and local store advertising fee requirements described in Item 6 of this Disclosure Document. (Section 8.4 of the Franchise Agreement). We will pay for these marketing expenses in the amount of \$6,000 for a new Restaurant located in an existing Broken Yolk Cafe market and \$12,000 for a new Restaurant located in a new Broken Yolk Cafe market. An “existing Broken Yolk Cafe market” is defined as a geographical area in which 3 or more existing Restaurants are operating as of the opening date of the new Restaurant, and in which each of the existing Restaurants is located within 20 miles of one or more of the other existing Restaurants. A market that does not qualify as an existing market is considered to be a new market.

You are solely responsible for selecting and arranging for qualified promotions/materials, for obtaining our advance written approval of them and for submitting related third-party invoices/bills to us. Qualifying invoices will be paid up to the amount of the credit available to your Restaurant. You are solely responsible for any unqualified/unapproved expenses/invoices you may incur, as well as any expenses incurred in excess of the applicable available credit. Approval, payment processes and other procedures and requirements related to this policy may be included in the Manuals or other written instructions we provide and you must follow them. This policy is offered and maintained in our discretion and is subject to change or elimination by us at any time.

POS System

Before opening, you must purchase a POS system, software and hand-held tablets that meet our then-current standards and specifications and are available from the vendors we approve (Sections 5.1 and 7.7 of the Franchise Agreement). The estimated costs range from \$18,900 to \$30,000 and include installation, set-up and training. You must also purchase a cloud-based software subscription which typically ranges from \$3,500 - \$7,500 annually.

You must comply with the then-current Payment Card Industry Data Security Standard and any revision to it adapted by the PCI Security Standards Council, LLC (the “PCI Council”) or any successor organization or standards we may specify. You must implement enhancements and security requirements and other requirements established by the PCI Council for merchants accepting payment by credit or debit cards.

We will have direct access to your POS system and be able to download sales and other data from your Restaurant. There is no limit on our right to access this information. You may not modify any POS function to impair or block our access to your POS without our prior written consent. Tampering with or disabling our access to your POS is considered a material breach of your Franchise Agreement and cause for termination if not timely cured after notice from us.

You must maintain your POS equipment in good working order at all times at your own cost and expense. Aside from the terms identified in the POS system supplier's maintenance contract, neither we nor our POS system supplier are required to provide you with on-going maintenance, repairs, upgrades or updates to the POS system or any required software.

ITEM 12. TERRITORY

A. Designated Area for Each Restaurant.

Under the Franchise Agreement, you will have the right to operate a “Traditional Broken Yolk Cafe® Restaurant,” at a specific site that we approve and will be granted a Designated Area relative to that approved site. A “Traditional Broken Yolk Cafe® Restaurant” is a full-service, retail, family style restaurant offering a variety of breakfast and lunch menu items and related products and services, in accordance with the BYC System.

The criteria used for determining the boundaries of the Designated Area include various factors such as population density, geographic considerations, development growth in an area and other factors. We generally try to grant Designated Areas which include a population density of approximately 100,000 people within their boundaries, except in areas where we consider the population density to warrant a smaller Designated Area, such as urban environments. In those cases, we generally try to grant Designated Areas which

include a population density of approximately 50,000 people within their boundaries. Your Designated Area is subject to change by us based upon U.S. Census Bureau data affecting population figures in the Designated Area. The continuation of your Designated Area does not depend on your achieving a specific sales volume, market penetration, or other contingency.

During the term of the Franchise Agreement and as long as you are not in default of any agreement related to your franchise business, neither we nor any affiliate of ours will locate a Traditional Broken Yolk Cafe® Restaurant nor award a franchise location for a Traditional Broken Yolk Cafe® Restaurant in the Designated Area.

We reserve the right to open and operate Broken Yolk Cafe® Restaurants or franchise others to open and operate Broken Yolk Cafe® Restaurants at universities, colleges, hospitals, municipal facilities, airports, train stations, public transportation facilities, amusement parks, concert and entertainment venues, shopping malls (excluding outparcels), sports stadiums, military and governmental sites and food courts, drug stores, department stores, truck stops, hotel or motel chains, and similar locations of a "non-traditional" nature (each, a "Non-Traditional Restaurant"), regardless of their proximity to your or any other Broken Yolk Cafe® Restaurant. We also reserve the right to sell products and merchandise using our trademarks by other alternative distribution channels, such as internet marketing, catalogs, direct marketing or grocery store sales.

Your Restaurant will not have any marketing or customer exclusivity and you will not receive an exclusive territory. You may face competition from other franchisees, from outlets that we or our affiliates own, or from other channels of distribution or competitive brands that we control. We, our affiliates, other Broken Yolk Cafe® franchisees and licensee, and others, can sell to customers who may live or work within your Designated Area, and you will not be entitled to any compensation. Similarly, you are not prohibited from accepting business from customers who may live or work within the Designated Areas of other Broken Yolk Cafe® Restaurants. You do not have the right to sell products and merchandise by other alternative distribution channels, such as internet marketing, catalogs, direct marketing or grocery store sales. You do not obtain any rights to acquire additional franchises within your Designated Area or in any other territory.

We do not currently have plans to operate or franchise a business under a different trademark, although we reserve the right to do so.

B. Development Territory for an Area Development Agreement.

If you sign an Area Development Agreement, you will have the right and the obligation to develop and open a specified number of Restaurants within a mutually agreed-upon geographical area (the "Development Territory") and timeframe set out in the Area Development Agreement. You will not receive an exclusive territory. You may face competition from other franchisees, from outlets that we or our affiliates own, or from other channels of distribution or competitive brands that we control. You must obtain our

approval for each Restaurant location and we will establish the Designated Area for each site. Our then-current standards for sites and designated areas will apply.

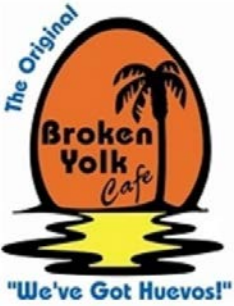
The term of the Area Development Agreement commences on the Effective Date thereof and terminates on the earlier of expiration date specified, the last Restaurant opening or earlier termination.

Except as provided in the Area Development Agreement, you do not obtain any rights to acquire additional franchises within your Development Territory or in any other territory or Designated Area.

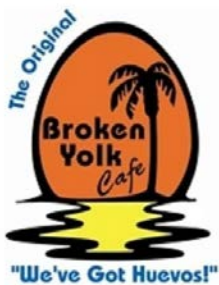
You do not have the right to relocate your Restaurant without obtaining our prior written consent. If the Restaurant is damaged or destroyed in a way that would take more than 60 days to repair, if it is taken by condemnation proceedings, or if your lease is terminated through no fault of your own, you may either relocate the Restaurant to a site approved by us or you may terminate your Franchise Agreement. In the case of damage, you may rebuild your Restaurant at its current site or at a new site approved by us. We may require you to reimburse us for costs we incur related to your relocation such as site review and approval of the specifications, designs, inventory and other items arising from your relocation.

ITEM 13. TRADEMARKS

Our Affiliate, BYC, Inc., has licensed us to use and sublicense its trademarks as set forth below. Our Affiliate has registered the following trademarks on the Principal Register of the U.S. Patent and Trademark Office ("USPTO"):

<u>MARK</u>	<u>REG. DATE</u>	<u>REG. NO.</u>	<u>GOODS/SERVICES</u>
BROKEN YOLK CAFE	May 5, 2009, renewed 2019	3,615,531	Cafe and restaurant services; Cafe-restaurants; Cafes; Restaurant; Restaurant and cafe services; Restaurant services; Restaurants.
	Apr. 8, 2008, renewed 2017	3,408,265	Cafe-restaurants; Restaurant services; Restaurants.

<u>MARK</u>	<u>REG. DATE</u>	<u>REG. NO.</u>	<u>GOODS/SERVICES</u>
WE'VE GOT HUEVOS	July 15, 2008, renewed 2017	3,466,795	Cafe-restaurants; Provision of food and drink in restaurants; Restaurant and bar services; Restaurant services; Restaurants.
BROKEN YOLK	March 13, 2012, renewed 2022	4,111,776	Coffee mugs; Mugs; Shot glasses; Hats; Jackets; Sweatshirts; T-shirts; Tank tops; Restaurant services.
BYC	January 19, 2016, renewed February 16, 2021	4,889,497	Cafe-restaurants; Restaurant services; Restaurants.
BORDER BENEDICT	December 27, 2016, renewed December 29, 2021	5,107,531	Prepared breakfast entrees consisting of eggs combined with meats, cheeses, and/or vegetables with sauce; Cafe-restaurants; Restaurant services; Restaurants.
TIKI TOAST	December 27, 2016, renewed December 29, 2021	5,107,532	Prepared breakfast entrees consisting of egg battered toast served with fruit; French toast; Cafe-restaurants; Restaurant services; Restaurants.
BROKEN YOLK, A BREAKFAST DINER	July 16, 2019	5,807,491	Café-restaurants; Café and restaurant services; Restaurants.
MEGAMOSA	October 22, 2019	5,891,231	Alcoholic beverages containing fruit; Alcoholic beverages, namely, cocktails comprised of fruit juice and sparkling wine; Alcoholic fruit beverages; Alcoholic fruit cocktail drinks
LIFE BEGINS AFTER BREAKFAST	December 24, 2019	5,946,369	Café-restaurants; Café and restaurant services; Restaurants

<u>MARK</u>	<u>REG. DATE</u>	<u>REG. NO.</u>	<u>GOODS/SERVICES</u>
KILL IT WITH A SKILLET	April 13, 2021	6,324,075	Drinking glasses; Mugs; Shot glasses; Travel mugs; Tumblers for use as drinking glasses; Coffee mugs; Caps being headwear; Hats; Shirts; Sweatshirts; T-shirts; Tank tops; Hooded sweatshirts; Cafe and restaurant services
	January 26, 2021	6,255,138	Coffee mugs; Mugs; Shot glasses; Hats; Jackets; Sweatshirts; T-shirts; Tank tops
WE'VE GOT HUEVOS	September 8, 2020	6,147,579	Coffee mugs; Mugs; Shot glasses; Hats; Jackets; Sweatshirts; T-shirts; Tank tops
BREAKFAST NIRVANA	May 18, 2021	6,357,168	Café-restaurants; Café and restaurant services; Restaurants
BRUNCH FIX TO-GO!	July 27, 2021	6,434,533	Restaurant services ; delivery and take-out
	July 27, 2022	6,434,534	Restaurant services; delivery and take-out
	June 14, 2022	6,761,538	Mugs ; Clothing; Restaurant Services

<u>MARK</u>	<u>REG. DATE</u>	<u>REG. NO.</u>	<u>GOODS/SERVICES</u>
	November 29, 2022	6,909,564	Mugs ; Clothing; Restaurant services
BREAKFAST NIRVANA	April 18, 2023	7028460	Mugs; Clothing
EL HUEVERO	November 12, 2024	7566219	Clothing

All required affidavits for the above trademark registrations have been timely filed with the USPTO.

Our Affiliate has a pending registration application for the following trademarks on the Principal Register of the U.S. Patent and Trademark Office ("USPTO"):

<u>MARK</u>	<u>APPLICATION DATE</u>	<u>SERIAL NO.</u>	<u>GOODS/SERVICES</u>
LIVE ON THE SUNNYSIDE	February 24, 2023	97809584	Mugs ; Clothing ; Restaurant services
BRUNCH ON THE SUNNYSIDE	August 17, 2023	98138708	Glassware, Clothing, Restaurant Services
COFFEE ON THE SUNNYSIDE	August 17, 2023	98138718	Glassware, Clothing, Restaurant Services

BYC, Inc. does not have a federal registration for the pending trademark applications noted above. Therefore, these trademarks do not have as many legal benefits and rights as a federally registered trademark. If our right to use these trademarks is challenged, you may not be able to use them, or may have to change to an alternative trademark, which may increase your expenses.

Under a License Agreement with BYC, Inc., we are allowed to use these marks and other Licensed Assets of our licensor for the operation and franchising of Broken Yolk Cafe® Restaurants throughout the world. However, we must use these Licensed Assets in a manner which is consistent with the standards prescribed by our licensor, including standards concerning the nature, character, and quality of the goods and services provided at Broken Yolk Cafe® Restaurants. We do not allow our franchisees to operate under the BYC Marks in any way that would jeopardize our rights to the Licensed Assets. The

License Agreement is for an indefinite term, but can be terminated for a breach if the breach is not cured within 30 days of notice. A termination of the License Agreement could affect your right to use the marks and other Licensed Assets, but we do not anticipate any termination while we are related parties.

Other than our License Agreement, there are no agreements currently in effect that significantly limit our rights to use or license the use of the foregoing mark(s) in any manner material to the Broken Yolk Cafe® franchise or to the operation of your Broken Yolk Cafe® Restaurant.

There are no currently effective material determinations of the USPTO or the trademark administrator of any state or any court, relevant to your use of the BYC Marks. Except as described below, there are no pending infringement, opposition or cancellation proceedings or pending material litigation involving the BYC Marks.

BYC, Inc., has a limited use agreement with the operators of a café in Holiday, Florida trading under the dba, "The Broken Yolk, Inc." (the "Café"). Under the agreement, the Café is permitted to use its current name for its current location only and must limit its advertising to Pasco County, Florida. We will not establish any franchises in Holiday, Florida and will not conduct targeted advertising in Pasco County. The agreement is for an unlimited term. Neither party has termination rights under the agreement. We are not aware of infringing uses that could materially affect your use of the licensed BYC Mark in the state where your franchise business will be located.

Your use of the BYC Marks does not convey any rights in or to the BYC Marks. All of the rights and goodwill associated with the BYC Marks belong to us and our licensor. You may not use any of the BYC Marks in any corporate or entity name but may identify your business as the fictitious business name of your Restaurant in a format as the law permits and we designate, such as "Broken Yolk Cafe® of [geographic designation]." You must file all fictitious name affidavits required by law in the state and county where you are located.

The Franchise Agreement grants you the right to use the BYC Marks, including "Broken Yolk Cafe®" and others that we authorize with respect to your Restaurant. If we believe, in our sole discretion, that it is advisable for you to modify or discontinue your use of any BYC Mark or to use one or more additional or substitute names or BYC Marks, you must comply with our directions. In this event, our sole obligation is to reimburse you for your reasonable, actual and direct compliance costs.

You must make a reasonable effort to check the area in which you propose to operate your Broken Yolk Cafe® Restaurant to determine whether there are any confusingly similar names or marks being used in that region.

You must immediately notify us of any claim of infringement or challenge to your use of any BYC Mark. We will protect and defend you against any claim or challenge and will have sole discretion to take any action we deem appropriate with respect to the BYC

Marks and will control any litigation or other legal proceeding related to the BYC Marks. You must not contest our right, title or interest in the BYC Marks and must cooperate fully with us in the prosecution or defense of any claim or challenge. We will reimburse you for any damages for which you may be found liable if you immediately notified us of the claim and used the relevant BYC Mark in accordance with the Franchise Agreement.

ITEM 14. PATENT, COPYRIGHTS AND PROPRIETARY INFORMATION

There are currently no patents that are material to the franchise.

We claim copyright protection for our web sites, both public and private, restaurant menu formats, manuals, food safety and standard visitation forms, restaurant designs and construction plans, advertisements and promotional material, and any other written materials we provide to you. None of these is registered in the U.S. Copyright Office. We own the domain names thebrokenyolkcafe.com, thebrokenyolk.com and wevegothuevos.com, all of which link to our primary domain name and web address, brokenyolkcafe.com. We also own a franchise information website under the domain name brokenyolkfranchise.com as well as breakfastfranchise.com and bestbreakfastfranchises.com, both of which link to brokenyolkfranchise.com.

You will receive proprietary information that we consider trade secrets, all of which must be kept confidential. You may not divulge any trade secrets nor reproduce or exhibit any portion of the manuals or other materials to any person other than to your employees and then only if necessary to operate your Restaurant in accordance with the Franchise Agreement. We can require your employees to sign confidentiality agreements in which they promise to keep all of our proprietary information confidential and to follow our directions regarding its use.

There are no current determinations of the Copyright Office or any court regarding our claimed copyrights. There are no agreements limiting our use of our copyrights. We are not aware of any patent or copyright infringement that could materially affect your franchise.

On termination or expiration of your Franchise Agreement, you must immediately return to us your manuals and all other materials containing our trade secrets and confidential information.

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

We require at least one individual who signs the Franchise Agreement or guarantees its performance to dedicate full time best efforts to the operation of the franchise business. If you are a legal entity, then at least one of the owners/guarantors of the franchise entity must fill this role, unless we choose to permit an exception.

An Operations Director must supervise all operations at the Restaurant. The Operations Director must be actively engaged in the management and day-to-day operations of the Restaurant and must devote full time and best efforts to the supervision of the Restaurant. Each Operations Director must have satisfactorily completed the initial restaurant operations training program and have received the ServSafe® certification.

Unless we choose to permit an exception, the position of Operations Director will be filled by an individual with an equity interest in the franchise. If none of the equity owners of the franchise has restaurant or retail management experience satisfactory to us, we may elect to allow a non-equity owner to serve as Operations Director, provided that the non-equity owner has in our view adequate restaurant or retail management experience. If such an exception is made, an equity owner of the franchisee must also complete Executive Training. At least one equity owner must at all times have completed restaurant operations training or Executive Training. Each manager must sign a confidentiality agreement in a form satisfactory to us.

If you are required to replace a manager, including an Operations Director, you must 1) designate a replacement within 30 days of the original manager's/Operations Director's departure, 2) ensure that the replacement has already completed our restaurant operations training or completes it at a location we select within 60 days of being designated the replacement, and 3) pay any applicable training fee for the new manager's/Operations Director's training.

Each Broken Yolk Cafe® Restaurant will be managed by not less than 4 managers inclusive of the Operations Director/General Manager, Assistant Manager and Kitchen Manager who have successfully completed our restaurant operations training program, have received the ServSafe® certification and who will assume responsibility for the day-to-day management of the operations of the Restaurant, including food preparation, accounting and the supervision and training of personnel. If the Operations Director is acting as the General Manager, the Restaurant will be managed by not less than 3 managers meeting the above restaurant operations training and ServSafe® Certification requirements. In order to help you meet our quality and system standards, we provide typical and recommended staffing guides in our Manuals.

Partners' and Investors' Requirements. If you are a partnership, corporation, limited liability company or other entity, we require any of your partners, shareholders or members holding 10% or greater share of the entity to be personally bound to the Franchise Agreement. We can also require some or all of those individuals and their respective spouses or domestic partners to personally guarantee your obligations under the Franchise Agreement. A copy of the Personal Guarantee is attached to this Disclosure Document as Exhibit "C" to the Franchise Agreement. All owners in the franchisee business entity will be required to sign the "Investor Covenants Regarding Confidentiality and Non-Competition" attached to this Disclosure Document as Exhibit "D" to the Franchise Agreement. At least one equity owner must attend and complete the Executive Training before you open your first Restaurant.

ITEM 16. RESTRICTION ON WHAT THE FRANCHISEE MAY SELL

Only approved products, merchandise and services may be offered or sold in the Broken Yolk Cafe® Restaurant. We have the right to require that the use or sale of any unapproved goods, ingredients, menu items or entrees be discontinued. You must offer at the Restaurant all products and services that we require, including those items specified in our standard Broken Yolk Cafe® menu and specials or featured items that we may occasionally designate. Specials and featured items designated by us are considered to be part of the Broken Yolk Cafe® menu and must be made available to our customers on the days and times we specify. You are not limited as to the customers to whom you offer authorized products and services. Pricing for all menu items at your Restaurant will be set by you. We encourage you to research the menu prices of competitors in your local market place.

There are no limits on our right to modify, revise, or make deletions and additions to the Manual nor to the types of authorized goods and services, including menu items, you must offer. You must comply with any changes when they become effective.

At our sole option and subject to our pre-approval, we may occasionally allow items that are not on the Broken Yolk Cafe® menu to be served in a Restaurant to satisfy local or regional preferences, to provide seasonal offerings or for the purposes of testing particular ingredients and menu items. Our permission may be conditional or limited, such as for a limited period of time or based upon the availability of a seasonal fresh food item.

You may not display, offer or sell any products or services at the Restaurant which we have not authorized. This restriction extends to products or services offered by another business of yours or a related company's business, as well as to non-food items such as artwork and apparel. You may not install nor operate in your Restaurant any ATM, public telephone, jukebox, vending machine, lottery ticket terminal, video game, computer tablet or any other device or machine without our written approval. You may not lease, sublease or use any part of the restaurant for any purpose or brand except that of operating a Broken Yolk Café without our prior written consent. Selling products, services or items that we have not approved is considered to be a material breach of your Franchise Agreement and cause for termination, if the unapproved products, services or items are not discontinued upon your receiving notice from us.

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.**

FRANCHISE AGREEMENT

Provision	Section in Franchise Agreement	Summary
a. Length of franchise term	Sec. 3.1	20 years from the date you open your Restaurant to the public.
b. Renewal or extension of the term	Sec. 20	Subject to satisfaction of certain conditions, you have the right to sign a new franchise agreement for the Restaurant for a 10-year or 20-year term and this new agreement may have terms and conditions for renewal (including royalty and advertising fees) that are different from those in the agreement that covered your initial term.
c. Requirements to renew or extend	Sec. 20	You must 1) be in compliance with your Franchise Agreement; 2) maintain the right to possession of the Restaurant premises for the term of the successor agreement; 3) give 365 days' notice; 4) remodel; 5) pay a renewal fee; and 6) sign a General Release. When renewing, you may be asked to sign a contract with terms and conditions materially different from your original contract. Subject to applicable state law.

Provision	Section in Franchise Agreement	Summary
d. Termination by you	Sec. 18.5, 23.17	You may terminate: 1) if we materially breach the Franchise Agreement and fail to cure the breach, after providing us written notice and an opportunity to cure; or 2) in the event your Restaurant is taken resulting from condemnation proceedings; or 3) upon termination of your lease through no fault of your own; or 4) damage or destruction to your Restaurant that would take more than 60 days to repair. We can delay performance obligations as long as you are in default and not be in breach. Subject to state law.
e. Termination by us without cause	N/A	We cannot terminate without cause.
f. Termination by us with cause	Sec. 18 and Sec. 1 and 4 of Exhibit "I" to the Franchise Agreement (California Addendum)	We may terminate if you default on any of your obligations. Subject to applicable state law.
g. "Cause" defined-curable defaults	Sec. 18.1 and 18.3 and Sec. 1 and 4 of Exhibit "I" to the Franchise Agreement (California Addendum)	1) failure to pay rent, fees or taxes; 2) default under a loan or lease involving your Restaurant; 3) a lien of \$1,000 or more; 4) failure to cure curable defaults under related agreements; 5) misuse of Licensed Assets; 6) failure to offer and sell any required menu item; 7) failure to use Approved Suppliers, Distributors or Manufacturers or the offering of products, services, Suppliers or Distributors that have not been approved; 8) failure to maintain licenses/permits needed to lawfully operate or to meet other legal requirements relating to Restaurant; and 9) failure to comply with other curable standards/requirements under the franchise agreement or the Manual. Subject to applicable state law.

Provision	Section in Franchise Agreement	Summary
h. “Cause” defined - non-curable defaults	Sec. 4.2, 18.1 and 18.2 and Sec. 1 and 4 of Exhibit “I” to the Franchise Agreement (California Addendum)	1) abandonment; 2) bankruptcy, insolvency, seizure of Restaurant assets; 3) loss of right to occupy the accepted site; 4) felony conviction or other criminal misconduct conviction; 5) failure to open Restaurant as per Sec. 4.2; 6) unapproved assignments; 7) material misrepresentations; 8) failure to comply with standards; 9) unfavorable conduct damaging the reputation of the brand or the BYC Marks; 10) failure to comply with law; 11) imminent danger to health and safety; 12) repeated failure within any 1 year period to comply with standards or requirements of the Manual, Franchise Agreement or any other agreement between you and us, including failure to pay fees; 13) non-curable defaults under related agreements, except that termination of an Area Development Agreement solely for failure to meet Development Schedule would not cause termination of existing Franchise Agreement(s) if fully compliant; and 14) failure to cure curable default. Subject to applicable state law.
i. Your obligations on termination/ non-renewal	Sec. 19 and 21 and Exhibits “C,” “D” and Sec. 5 of Exhibit “I” (California Addendum) to the Franchise Agreement	1) complete de-identification; 2) pay amounts due; 3) return all confidential materials; 4) cease operations; 5) stop using marks, systems and confidential information; 6) cancel all assumed names; 7) deliver/sell your equipment, inventory, and fixtures to us if we request; 8) assign phone numbers to us; and 9) comply with non-competition and non-solicitation requirements. If you are an entity, post-termination covenants of entity owners and their respective spouses/domestic partners will survive termination or non-renewal, including their guarantee and assumption of obligations (Exhibit “C” to the Franchise Agreement) and non-disclosure and non-compete covenants (Exhibit “D” to Franchise Agreement). Franchisee, Investors and Owners are not permitted to be involved in a Competitive Business (or a licensor/franchisor of a Competitive Business). Refer to Item 17 r, below. Subject to applicable state law.
j. Assignment of contract by us	Sec. 17.1	No restriction on our right to assign.

Provision	Section in Franchise Agreement	Summary
k. “Transfer” by you- defined	Sec. 17.2 and 17.7	Sale or transfer of your interest in the Franchise Agreement or assets, or any change in ownership in franchisee entity.
l. Our approval of transfer by franchisee	Sec. 17.4	We have the right to approve all transfers but will not unreasonably withhold approval.
m. Condition for our approval of transfer	Sec. 17.4 and Sec. 1, 2, and 3 of Exhibit “I” to the Franchise Agreement (California Addendum)	You must: 1) pay a \$3,000 transfer fee; 2) sign a general release; 3) pay all amounts owed; 4) provide a copy of all agreements and proposed agreements concerning the proposed transfer and other information we request; 5) make any changes to the terms of the transfer which we require. Proposed transferee must: 1) qualify according to our current standards; 2) provide all information we request; 3) assume all obligations under the Franchise Agreement and/or, at our request, enter into our then-current franchise agreement; 4) remodel or refurbish the Restaurant to our then-current standards (unless you do so); and 5) have 4 managers, including Operations Director, who have completed our restaurant operations training program and paid fees. You and the proposed transferee must obtain the landlord’s consent in writing. Subject to applicable state law.
n. Our right of first refusal to acquire franchisees’ business	Sec. 17.3 and Sec. 1 and 2 of Exhibit “I” to the Franchise Agreement (California Addendum)	We can match any offer for your business. Subject to applicable state law.

Provision	Section in Franchise Agreement	Summary
o. Our option to purchase franchisees' business	Sec. 19.1	Following termination or expiration other than due to our uncured breach, we or our assignee have the right, by delivering written notice to you, to purchase from you, the leasehold interest in the accepted site, any or all of the Restaurant's equipment, fixtures, inventory, products, materials and supplies as we choose.
p. Your death or disability	Sec. 17.11 and 19.3 and Exhibit "I" to the Franchise Agreement (California Addendum)	A family member may operate the business if qualified, or may assign to an approved buyer. We can operate the Restaurant on your behalf and at your expense in the event of your death, disability or absence. Subject to applicable state law.
q. Non-competition covenants during the term of the franchise	Sec. 21.7 and Exhibits "D-1," "D-2" and "I" (California Addendum) to the Franchise Agreement	You and your owners/investors/partners/members may not directly or indirectly operate or own an interest in a Competitive Business (or a licensor/franchisor of a Competitive Business). We may at our option consent to your continued operation of any business already in existence and operating at the time of execution of the Franchise Agreement. Subject to applicable state law.
r. Non-competition covenants after the franchise is terminated or expires.	Sec. 21.7 and Exhibits "D-1," "D-2" and "I" (California Addendum) to the Franchise Agreement	For 2 years following termination or expiration, neither you nor your owners/investors/partners/members (if you are a business entity) can directly or indirectly operate or own an interest in a "Competitive Business" (or a licensor/franchisor of a "Competitive Business") within 1) the Designated Area; 2) within 10 miles from your accepted site; 3) within 10 miles of any other Broken Yolk Cafe® Restaurant; or 4) within any area covered by any Area Development Agreement between us and a franchisee/developer (to the fullest extent permitted under state law). We may, at our option, consent to your continued operation of any business already in existence and operating at the time of execution of the Franchise Agreement. Subject to applicable state law.

Provision	Section in Franchise Agreement	Summary
s. Modification of the agreement	Sec. 23.6	No modification allowed except in writing signed by you and us. Manuals, including our Operations Manual, may change. Changes to the Manuals do not require your written consent.
t. Integration/merger clause	Sec. 23.6	Only the terms of the Franchise Agreement are binding (subject to state law). Any representations or promises outside of the disclosure document and the Franchise Agreement may not be enforceable.
u. Dispute resolution by arbitration	Sec. 22	Except for claims: 1) for preliminary injunctive or other provisional relief, 2) regarding the use or protection of the Licensed Assets, and 3) under a lease or sublease for unlawful detainer or similar remedies, any controversy or claim can only be resolved through binding arbitration as described in the Franchise Agreement. Limitation of types of damages and waivers of jury trial and of class action apply where permitted under law (subject to state law). Please see any applicable state-specific addenda (Exhibit B to this Disclosure Document or Exhibit "I" to the Franchise Agreement).
v. Choice of forum	Sec. 22	Arbitration must be in San Diego, California; all court actions must be brought in the state of California. (Subject to state law) Please see any applicable state-specific addenda (Exhibit B to this Disclosure Document or Exhibit "I" to the Franchise Agreement).
w. Choice of law	Sec. 23.8	California law applies, except 1) post-term non-compete is construed and enforced under laws of the state where breach occurs, and 2) the California Franchise Investment Law and the California Franchise Relations Act only apply if jurisdictional, definitional and other requirements for the application of these laws are met independently of the Franchise Agreement. Subject to applicable state law. Please see any applicable state-specific addenda (Exhibit B to this Disclosure Document or Exhibit "I" to the Franchise Agreement).

AREA DEVELOPMENT AGREEMENT

Provision	Section in Area Development Agreement	Summary
a. Length of term	Sec. 4	Expires the earlier of: 1) the expiration date specified on the Development Schedule, or 2) upon the opening of the last Restaurant listed on the Development Schedule, unless earlier terminated under the terms of the ADA.
b. Renewal or extension of the term	Sec. 9	You have no renewal or successor rights under the ADA.
c. Requirements to renew or extend	Sec. 9 and 10	You acknowledge that we will grant you no extensions of time on the Development Schedule. You have no renewal or successor rights under the ADA.
d. Termination by you	Sec. 3 and 9	You can terminate the ADA by giving us notice to terminate, and by forfeiting the Development Fee. All post termination provisions in the Franchise Agreement(s), the personal guarantee and other agreements between you and us will survive termination, including but not limited to indemnity, confidentiality and dispute resolution. These provisions are subject to applicable state law.
e. Termination by us without cause	N/A	N/A.
f. Termination by us with cause	Sec. 10.1 and 10.2 (Sec. 1 and 4 of California Addendum in Exhibit “F” to the ADA)	We can terminate the ADA as a result of any of the events listed in Sections 10.1 and 10.2. Subject to applicable state law.

Provision	Section in Area Development Agreement	Summary
g. “Cause” defined-curable defaults	Sec. 10.2 (Sec. 1 and 4 of California Addendum in Exhibit “F” to the ADA)	1) your default in the performance or observance of any covenant, term, or condition contained in the ADA or related agreements (except the non-curable defaults); 2) any lien, encumbrance, or option upon any of your property or assets, whether now owned or later acquired, that would substantially impair your ability to perform or observe any covenant, term, or condition of the ADA; or 3) your attempt to make any unapproved transfer of ownership in developer entity. Subject to applicable state law.
h. “Cause” defined- non-curable defaults	Sec. 10.1 (Sec. 1 and 4 of California Addendum in Exhibit “F” to the ADA)	1) failure to meet requirements of Development Schedule, including the submission of sites, leases and purchase agreements; 2) attempted assignment, transfer or sublicense of the ADA without our prior written consent; 3) violation of any non-curable covenant, term, or condition of any note or other agreement (including any Broken Yolk Cafe® Franchise Agreement); 4) assignment for the benefit of creditors or admission in writing of your inability to pay your debts; 5) bankruptcy or insolvency; 6) petition or application for the appointment of a trustee, receiver or liquidator, commencement of proceedings for bankruptcy, reorganization, compromise, arrangement, insolvency, readjustment of debt, dissolution, or liquidation law of any jurisdiction; 7) the filing of a petition, application or proceeding against you, to which you indicate approval, consent, or acquiescence; 8) the entry of any order, judgment or decree appointing any trustee, receiver or liquidator, and which remains in effect for more than 30 days; 9) the entry of any order, judgment or decree, which requires your dissolution, and which remains in effect for more than 30 days; 10) your voluntary abandonment of any of your Broken Yolk Cafe® Restaurants; or 11) failure to cure any curable default. Subject to applicable state law.

Provision	Section in Area Development Agreement	Summary
i. Your obligations on termination/ non-renewal	Sec. 11 and 18; Exhibits “D” and “F” (California Addendum) to the ADA	1) return development rights to us; 2) abide by terms of post-term non-compete (refer to 17 r., below); 3) abide by on-going terms of personal guaranty and California Addendum in Exhibit “F”. Subject to applicable state law.
j. Assignment of contract by us	Sec. 8	No restriction on our right to assign.
k. “Transfer” by you- defined	Sec. 8.2	Sale or transfer of your interest in the ADA or assets, or any change in ownership in developer entity.
l. Our approval of transfer by you	Sec. 8.2	You cannot assign the ADA without our prior written consent. A concurrent assignment to the same assignee of all of your interests in each Restaurant developed under your ADA and each related Franchise Agreement also is required.
m. Condition for our approval of transfer	Sec. 8.2 (Sec. 1 and 2 of California Addendum in Exhibit “F” to the ADA	We can give or withhold consent in our sole discretion. Our conditions can also include those listed in the Franchise Agreement, including: 1) you sign a general release; 2) you pay all amounts owed; 3) you provide a copy of all agreements and proposed agreements concerning the proposed transfer and other information we request; 4) you make any changes to the terms of the transfer which we require; 5) proposed transferee qualifies and provides all information we request; 6) transferee assumes all obligations under the ADA and Franchise Agreement(s) and/or, at our request, enters into our then-current ADA and franchise agreement; 7) proposed transferee agrees to upgrade, remodel and refurbish the Restaurant(s) to our then-current standards; and 8) you and the transferee obtain the landlord’s consent in writing. You must pay a \$5,000 transfer fee in addition to any transfer fees due under any individual Franchise Agreement(s). Subject to applicable state law.

Provision	Section in Area Development Agreement	Summary
n. Our right of first refusal to acquire your business	Sec. 8.2 (Sec. 1 and 2 of California Addendum in Exhibit “F” to the ADA)	We can match any offer for your business. If we purchase the assets of all the Restaurants opened under your ADA, or if all of your franchises are terminated or repurchased, you will have no rights under the ADA. Subject to applicable state law.
o. Our option to purchase your business	Sec. 13.3	You cannot grant any security interest in your business or any of its assets, including the furniture, fixtures and equipment located in the Restaurants, unless the secured party agrees that in the event of any default by you, we shall have the option to purchase the rights of the secured party in the business, furniture, fixtures, equipment or assets at the fair market value of these assets.
p. Your death or disability	N/A	Subject to the same terms as contained in any of your Franchise Agreements, at our option.
q. Non-competition covenants during the term	Sec. 18 (California Addendum in Exhibit “F” to the ADA)	During the term of your ADA, you may not directly or indirectly operate or own an interest in a “Competitive Business” (or a licensor/franchisor of a “Competitive Business”). We may at our option consent to your continued operation of any business already in existence and operating at the time of signing the ADA. Subject to applicable state law.

Provision	Section in Area Development Agreement	Summary
r. Non-competition covenants after the agreement is terminated or expires.	Sec. 18 (California Addendum in Exhibit “F” to the ADA)	For 2 years following termination or expiration, neither you nor your owners (if you are a business entity) can directly or indirectly operate or own an interest in a Competitive Business (or a licensor/franchisor of a Competitive Business) within the Designated Area of any of your Franchise Agreements, within 10 miles from any of your accepted sites or any other Broken Yolk Cafe® Restaurant, or within any area covered by any area development agreement between us and a franchisee/developer (to the fullest extent permitted under state law). We may at our option consent to your continued operation of any business already in existence and operating at the time of signing the ADA. Subject to applicable state law.
s. Modification of the agreement	Sec. 14	Amendment or modification of the ADA must be written and fully signed.
t. Integration/merger clause	Sec. 14	Only the terms of the ADA are binding (subject to state law). Any representations or promises outside of the disclosure document and Franchise Agreement may not be enforceable.
u. Dispute resolution by arbitration	Sec. 16	Except for claims: 1) for preliminary injunctive or other provisional relief, 2) regarding the use or protection of the Licensed Assets, and 3) under a lease or sublease for unlawful detainer or similar remedies, any controversy or claim can only be resolved through binding arbitration as described in the Franchise Agreement. Limitation of types of damages and waivers of jury trial and of class action apply where permitted under law (subject to state law). Please see any applicable state-specific addenda (Exhibit B to this Disclosure Document or Exhibit “F” to the ADA).

Provision	Section in Area Development Agreement	Summary
v. Choice of forum	Sec. 16; Exhibit “E” to the ADA	Arbitration must be in San Diego, California; all court actions must be brought in the state of California. (Subject to state law) Please see any applicable state-specific addenda (Exhibit B to this Disclosure Document or Exhibit “F” to the ADA).
w. Choice of law	Sec. 16	California law applies except 1) the California Franchise Investment Law and the California Franchise Relations Act only apply if jurisdictional, definitional and other requirements for the application of these laws are met independently of the ADA, and 2) post-term non-compete is construed and enforced under laws of the state where breach occurs. Subject to applicable state law. Please see any applicable state-specific addenda (Exhibit B to this Disclosure Document or Exhibit “F” to the ADA).

See the state-specific addenda, if any, attached to this Disclosure Document as Exhibit B, to the Franchise Agreement as Exhibit “I” or to the Area Development Agreement as Exhibit “F” for other state-specific disclosures.

ITEM 18. PUBLIC FIGURES

We do not use any public figure to promote our franchise. We, however, reserve the option to do so in the future.

ITEM 19. FINANCIAL PERFORMANCE REPRESENTATIONS

The FTC’s Franchise Rule permits us to provide information about the actual or potential financial performance of our franchised and/or Affiliate-Owned/licensed units, 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) we provide the actual records of an existing unit you are considering buying; or 2) we supplement the information provided in this Item 19, for example, by providing information about possible performance at a particular site or under particular circumstances.

In this Item below, we present reported annual gross sales for the Broken Yolk Cafe® Restaurant owned and operated by our Affiliate (BYC, Inc.) as well as those owned

and operated for the 2024 calendar year by our franchisees. We do not operate any Broken Yolk Cafe® Restaurants.

Other than for our “flagship” Affiliate-Owned unit, the information below was compiled based on information from franchisees’ Point Of Sale systems and/or as otherwise reported to us by our franchisees.

The figures referenced in this Item 19 do not reflect the costs of sales, operating expenses or other costs or expenses that must be deducted from gross revenue or gross sales figures to obtain your net income or profit. You should conduct an independent investigation of the costs and expenses you will incur in operating your Restaurant. Franchisees or former Franchisees (if any) listed in the Disclosure Document may be one source of this information.

Other than one Restaurant that is adjacent to a university and operates in a fast casual format, the Restaurants reported in the following chart each operate a business substantially similar to the franchise business offered under this Franchise Disclosure Document. All Restaurants operate under the Broken Yolk Cafe® trade name and have similar, but not uniform, trade dress. The franchise offered under this Disclosure Document is for a site generally located in a traditional, retail, storefront location.

Some outlets have earned these amounts. Your individual results may differ. There is no assurance that you’ll earn as much.

Type of Unit	Gross Sales 2024 Jan. – Dec.	2024 Food & Paper Cost (as a percentage of Gross Sales)	2024 Labor Cost (as a percentage of Gross Sales); (excludes owners’ and officers’ compensation)	Time Open	Sq. Footage w/Patio
Affiliate-Owned (1 unit)	\$2,605,109	28.8%	33.3%	41 years	7,300
34 Franchised Units	Average: \$2,696,954 Median: \$2,791,651	Average: 26.4% Median: 25.8%	Average: 27.3% Median: 27.58%	1.0 – 13 years	3,800 – 7,851

Notes:

(1) The definition of “Gross Sales” as used in the above chart, is the same as that term is defined in the Franchise Agreement, namely, all revenues or things of value derived by you in and from the Restaurant from all sales of food, goods, wares, merchandise and all services made in, upon, or from the Restaurant, whether for cash, check, credit, barter or otherwise, without reserve or deduction for inability or failure to collect the same, including, without limitation, all revenues derived from delivery, catering, and special event sales, such sales and services where the orders therefore originate at and are accepted by you into the Restaurant but delivery or performance thereof is made from or at any other place, or other similar orders are received or billed at or from the Restaurant, and any sums or receipts derived from the sale of meals to employees of the Restaurant. Gross Sales shall not include rebates or refunds to customers, nor the amount of any sales taxes or other similar taxes that you collect from customers to be paid to any federal, state or local taxing authority.

For the period January 1, 2024 through December 31, 2024:

- 18 of the 34 Restaurants (or 52.95%) actually attained or surpassed the stated average Gross Sales (the Affiliate-owned restaurant also surpassed the stated average Gross Sales);
- Of the 34 Restaurants reporting, the highest Gross Sales figure attained was:
\$5,141,563
- Of the 34 Restaurants reporting, the lowest Gross Sales figure attained was:
\$892,175
- Of the 34 Restaurants reporting, the lowest Labor Cost figure attained was:
18.5%
- Of the 34 Restaurants reporting, the highest Labor Cost figure attained was:
38%
- Of the 34 Restaurants reporting, the lowest Food and Paper Cost figure attained was:
21.3%
- Of the 34 Restaurants reporting, the highest Food and Paper Cost figure attained was:
41%
- Of the 34 Restaurants reporting, 21 of the 34 Restaurants (or 61.8%) had a percentage for food/paper expenses which met or was lower than the stated average percentage of Gross Sales;

- Of the 34 Restaurants reporting, 18 of the 34 Restaurants (or 52.9%) had a percentage for Labor expenses which met or was lower than the stated average percentage of Gross Sales.

The reporting Restaurants comprise the total number of franchised or Affiliate- owned Broken Yolk Café® Restaurants operating for that calendar year. Four additional franchised Broken Yolk Café® Restaurants opened during the calendar year 2024 but did not operate for the full calendar year and so are not included in the figures above. The Affiliate-Owned Restaurant reported above is operated by BYC, Inc. This is the original Broken Yolk Café® Restaurant which has been open and operating at the Pacific Beach, California location for 41 years. The only material financial and operational difference between the Affiliate-owned Restaurant and the franchised outlets is that the Affiliate-Owned Restaurant does not pay the 4% Royalty on Gross Sales that is paid by the franchised Restaurants. The Affiliate-Owned Restaurant also has a much longer operating history and is one of the larger Broken Yolk Café® Restaurants.

(2) Approximately one-third of the 34 Franchised Restaurants reporting above rely on high pedestrian traffic levels in anchored neighborhood shopping centers with well-recognized co-tenant brands. More than one-half of the 34 Franchised Restaurants reporting above are in small to medium-sized centers that do not rely on pedestrian traffic. Most of the 34 Franchised Restaurants are located in California (13 in San Diego County, 3 in Riverside County, 1 in Imperial County, 5 in Orange County, 2 in Los Angeles County and 1 in San Bernardino County); 3 are in Arizona; 1 is in the Houston, Texas area; 3 are in Las Vegas, Nevada and 1 is in the Boise, Idaho area.

(3) The Affiliate-Owned Restaurant and most of the Franchised Restaurants reported above have patio seating.

(4) Menu items are the same in all sites, although daily specials may vary by Restaurant.

(5) Written substantiation for the financial performance representation will be made available to the prospective franchisee upon reasonable written request

(6) Each Restaurant may set its own menu prices as determined by the Franchisee.

Other than the preceding financial performance representation, we do not make any financial performance representations. We also do not authorize our employees or representatives to make financial performance representations either orally or in writing. If you are purchasing an existing Restaurant, however, we may provide you with the actual records of that Restaurant. If you receive any other financial performance information or projections of your future income, you should report it to our management by contacting Valerie McCartney c/o BYC Franchising, LLC at 1851 Garnet Avenue, San Diego, California 92109, Telephone: (858) 740-9554, the Federal Trade Commission and the appropriate state regulatory agencies.

ITEM 20. OUTLETS AND FRANCHISEE INFORMATION

Table No. 1
Systemwide Outlet Summary
For Years 2022 to 2024

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Franchised	2022	33	34	+1
	2023	34	37	+3
	2024	37	39	+2
Affiliate- Owned	2022	1	1	0
	2023	1	1	0
	2024	1	1	0
Total Outlets	2022	34	35	+1
	2023	35	38	+3
	2024	38	40	+2

*While we do not own or operate any Restaurants, our Affiliate, BYC, Inc., owns and operates the “flagship” Broken Yolk Cafe® Restaurant in Pacific Beach, California.

Table No. 2
Transfers of Outlets from Franchisees to New Owners (other than the Franchisor)
For Years 2022 to 2024

State	Year	Number of Transfers
California	2022	3
	2023	0
	2024	3
Total	2022	3
	2023	0
	2024	3

Table No. 3
Status of Franchised Outlets
For Years 2022 to 2024

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations – Other Reasons	Outlets at End of the Year
Arizona	2022	3	0	0	0	0	0	3
	2023	3	1	0	0	0	0	4
	2024	4	0	0	0	0	0	4

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations – Other Reasons	Outlets at End of the Year
California	2022	26	1	0	0	0	0	27
	2023	27	0	0	0	0	0	27
	2024	27	2	1	0	0	0	28
Florida	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
	2024	1	0	0	0	0	1	0
Idaho	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
	2024	1	0	0	0	0	0	1
Nevada	2022	1	0	0	0	0	0	1
	2023	1	2	0	0	0	0	3
	2024	3	1	0	0	0	0	4
Texas	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
	2024	1	1	0	0	0	0	2
Total	2022	33	1	0	0	0	0	34
	2023	34	3	0	0	0	0	37
	2024	37	4	1	0	0	1	39

Table No. 4
Status of Affiliate-Owned Outlets*
For Years 2022 to 2024

State	Year	Outlets at Start of the Year	Outlets Opened	Outlets Reacquired From Franchisees	Outlets Closed	Outlets Sold to Franchisees	Outlets at End of the Year
California	2022	1	0	0	0	0	1
	2023	1	0	0	0	0	1
	2024	1	0	0	0	0	1
Total	2022	1	0	0	0	0	1
	2023	1	0	0	0	0	1
	2024	1	0	0	0	0	1

*While we do not own or operate any Restaurants, our Affiliate, BYC, Inc., owns and operates our “flagship” Broken Yolk Cafe® Restaurant in Pacific Beach, California.

Table No. 5
Projected Openings
as of December 31, 2024

State	Franchise Agreements Signed But Restaurant Not Opened	Projected New Franchised Broken Yolk Cafe® Restaurants in the Next Fiscal Year	Projected New Company- Owned Broken Yolk Cafe® Restaurants in the Next Fiscal Year
California	0	2	0
Nevada	1	2	0
Arizona	0	1	0
Total	1	5	0

Attached to this Disclosure Document as Exhibits G-1, G-2 and G-3 are lists of the names, addresses and phone numbers of our current franchisees, our former franchisees (if any) and our Affiliate-owned sites. We had no franchisees who had an outlet terminated, canceled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under the franchise agreement during the most recently completed fiscal year or has not communicated with us within 10 weeks of the issuance date of this Disclosure Document. If you buy this Franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

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

We have not created, sponsored or endorsed any trademark-specific franchisee organizations associated with the franchise system. There are no independent franchisee organizations that have asked to be included in this Disclosure Document.

ITEM 21. FINANCIAL STATEMENTS

Attached to this Disclosure Document as Exhibit C are our audited financial statements for the periods ended December 31, 2024, December 31, 2023, and December 31, 2022.

Our fiscal year end is December 31st.

ITEM 22. CONTRACTS

Attached to this Disclosure Document are the following proposed agreements:

Exhibit D: Franchise Agreement and Exhibits:

- Exhibit “A”: Accepted Site and Designated Area
- Exhibit “B”: Memorandum of Opening Date
- Exhibit “C”: Personal Guaranty
- Exhibit “D-1”: Investor Covenants Regarding Confidentiality and Non-Competition (for Non-California Franchisees)
- Exhibit “D-2”: Investor Covenants Regarding Confidentiality and Non-Competition (for California Franchisees)
- Exhibit “E”: Authorization for Pre-Arranged Payments (Direct Debits)
- Exhibit “F”: ADA and Related Certifications
- Exhibit “G”: Collateral Assignment of Lease
- Exhibit “H”: Form of General Release
- Exhibit “I”: State-Specific Addenda to the Franchise Agreement
- Schedule 1: Statement of Ownership of Franchisee
- Schedule 2: Addendum to the Franchise Agreement For Temporary Reduced Royalty Fees

Exhibit E: Area Development Agreement

- Exhibit “A”: Development Territory
- Exhibit “B”: Development Schedule
- Exhibit “C”: Existing Broken Yolk Cafe Restaurants in Development Territory
- Exhibit “D”: Personal Guaranty
- Exhibit “E”: Applicable Dispute Resolution, Class Action & Damages Terms
- Exhibit “F”: State Addenda to the Area Development Agreement
- Schedule 1: Statement of Ownership of Area Developer Entity

Exhibit H: Statement of Prospective Franchisee

ITEM 23. RECEIPTS

The receipt to this Disclosure Document is attached as Exhibit J.

EXHIBIT A

LIST OF STATE AGENCIES AND AGENTS FOR SERVICE OF PROCESS

LIST OF STATE AGENCIES

Listed here are the names, addresses and telephone numbers of the state agencies having responsibility for franchising disclosure/registration laws.

California:
Department of Financial Protection and Innovation
One Sansome Street, Ste. 600
San Francisco, CA 94104

320 West 4th Street, Suite 750
Los Angeles, CA 90013-2344

May Lee State Office Complex
651 Bannon Street, Suite 300
Sacramento, CA 95811

1455 Frazee Rd., Suite 315
San Diego, CA 92108
1-866-275-2677

Hawaii:
Department of Commerce and Consumer Affairs
Business Registration Division
335 Merchant Street, Room 203
Honolulu, HI 96813

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

Indiana:
Indiana Securities Division
Secretary of State
302 West Washington Street, Room E-111
Indianapolis, IN 46204

Maryland:
Office of the Attorney General
Division of Securities
200 Saint Paul Place
Baltimore, MD 21202-2020

Michigan:
Consumer Protection Division
Michigan Department of Attorney General
525 W. Ottawa Street
G. Mennen Williams Building, 1st Floor
Lansing, MI 48913

Minnesota:
Minnesota Department of Commerce
85 7th Place East, Suite 280
St. Paul, MN 55101

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

North Dakota:
Office of Securities Commissioner
600 East Boulevard, 5th Floor
Bismarck, ND 58505

Oregon
Director
Department of Consumer & Business Services
Division of Finance & Corporate Securities
P.O. Box 14480
Salem, Oregon 97309-0405
(503) 378-4140

Rhode Island:
Division of Securities
1511 Pontiac Avenue
John O. Pastore Complex 69-1
Cranston, RI 02920-4407

South Dakota:
Division of Insurance
Securities Regulation
124 S. Euclid St., 2nd Floor
Pierre, SD 57501
(605) 773-3563

Virginia:
State Corporation Commission
Division of Securities and
Retail Franchising
1300 East Main Street, 9th Floor
Richmond, VA 23219

Washington:
Department of Financial Institutions
Securities Division
P.O. Box 41200
Olympia, WA 98504-1200

Wisconsin:
State of Wisconsin
Office of the Commissioner of Securities
4822 Madison Yards Way, North Tower
Madison, WI 53705

AGENTS FOR SERVICE OF PROCESS

The Franchisor has not appointed the agent(s) identified below unless it has registered in that state.

California:

California Commissioner of
Financial Protection and Innovation
Department of Financial Protection and Innovation
320 West 4th Street, Suite 750
Los Angeles, CA 90013-2344

Hawaii:

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

Illinois:

Illinois Attorney General
500 South Second Street
Springfield, Illinois 62706

Indiana:

Secretary of State
201 State House
200 West Washington Street
Indianapolis, Indiana 46204

Maryland:

Securities Commissioner
200 Saint Paul Place
Baltimore, Maryland 21202-2020

Michigan:

Department of Attorney General's Office
Consumer Protection Division
525 W. Ottawa Street
G. Mennen Williams Building, 1st Floor
Lansing, Michigan 48913

Minnesota:

Commissioner of Commerce
85 7th Place E.
St. Paul, MN 55101

New York:

Secretary of State
99 Washington Avenue
Albany, New York 12231

North Dakota:

Commissioner of Securities
600 East Blvd., 5th Floor
Bismarck, North Dakota 58505

Rhode Island:

Director of Business Regulation
Division of Securities
John O. Pastore Complex 69-1
1511 Pontiac Avenue
Cranston, RI 02920

South Dakota:

Director
Division of Insurance - Securities Regulation
124 S. Euclid, 2nd Floor
Pierre, South Dakota 57501

Virginia:

Clerk of the State Corporation Commission
1300 East Main Street, 1st Floor
Richmond, Virginia 23219

Washington:

Director
Department of Financial Institutions
Securities Division
150 Israel Rd. SW
Tumwater WA 98501

Wisconsin:

Administrator
Department of Financial Institutions
Division of Securities
4822 Madison Yards Way, North Tower
Madison, Wisconsin 53705

EXHIBIT B

**STATE-SPECIFIC ADDENDA TO THE FRANCHISE DISCLOSURE
DOCUMENT**

ADDENDUM TO THE BYC FRANCHISING, LLC
DISCLOSURE DOCUMENT - REQUIRED BY THE STATE OF CALIFORNIA

THE CALIFORNIA FRANCHISE INVESTMENT LAW REQUIRES A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE TO BE DELIVERED TOGETHER WITH THE DISCLOSURE DOCUMENT.

Neither BYC Franchising, LLC, its affiliate, nor any person or franchise broker in Item 2 of the FDD 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 these persons from membership in this association or exchange.

The Franchise Agreement requires binding arbitration. The arbitration will occur in San Diego, California with the costs being borne equally by both parties. Prospective franchisees are encouraged to consult private legal counsel to determine the application of California and federal laws (such as Business and Professions Code section 20040.5, Code of Civil Procedure 1281 and the Federal Arbitration Act to any provision of the franchise agreement or area development agreement restricting venue to a forum outside the State of California.

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

The Franchise Agreement and Area Development Agreement provide for termination upon bankruptcy. This provision may not be enforceable under federal bankruptcy law (11 U.S.C.A. Sec. 101 et. seq.).

The Franchise Agreement and Area Development Agreement contain covenants not to compete which extend beyond the termination of the franchise and area development agreements. This provision may not be enforceable under California law.

Section 31125 of the Franchise Investment Law requires us to give to you a disclosure document approved by the Commissioner of Financial Protection and Innovation before we ask you to consider a material modification of your Franchise Agreement.

You must sign a general release if you renew or transfer your franchise. California Corporations Code section 31512 voids a waiver of your rights under the Franchise Investment Law (California Corporations Code Sections 31000 through 31516). California Corporations Code section 31512.1, effective January 1, 2023, provides generally that a franchisor may not disclaim or deny violations under the California Franchise Investment Law nor reliance by franchisees on representations made to a prospective franchisee by the franchisor or its agents.

OUR WEBSITES 'WWW.THEBROKENYOLKCAFE.COM' AND 'WWW.BROKENYOLKFRANCHISE.COM' HAVE NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION. ANY COMPLAINTS CONCERNING THE CONTENTS OF THESE WEBSITES MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION AT WWW.DFPL.CA.GOV.

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.

**ILLINOIS ADDENDUM
TO THE BYC FRANCHISING, LLC
FRANCHISE DISCLOSURE DOCUMENT**

Illinois law governs the Franchise Agreement(s).

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.

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

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

**NEW YORK ADDENDUM TO
THE BYC FRANCHISING, LLC
FRANCHISE DISCLOSURE DOCUMENT**

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 SOURCES OF 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 DISCLOSURE DOCUMENT. IF YOU LEARN THAT ANYTHING IN THE DISCLOSURE DOCUMENT IS UNTRUE, CONTACT THE FEDERAL TRADE COMMISSION AND NEW YORK STATE DEPARTMENT OF LAW BUREAU OF INVESTOR PROTECTION AND SECURITIES 28 LIBERTY STREET, 21ST FLOOR NEW YORK, NEW YORK 10005.

THE FRANCHISOR MAY IF IT CHOOSES, NEGOTIATE WITH YOU ABOUT ITEMS COVERED IN THE PROSPECTUS. HOWEVER, THE FRANCHISOR CANNOT USE THE NEGOTIATING PROCESS TO PREVAIL UPON A PROSPECTIVE FRANCHISEE TO ACCEPT TERMS WHICH ARE LESS FAVORABLE THAN THOSE SET FORTH IN THIS PROSPECTUS.

2. The following paragraphs are inserted in Item 3 of the Franchise Disclosure Document:

Except as noted below, with regard 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 material civil action pending against that person alleging: a felony, a violation or any 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 any 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 operation.

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 allegation.

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 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 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 paragraph is inserted at Item 4 of the Franchise Disclosure Document:

Neither the franchisor, its affiliate, its predecessor, officers, or general partner of the franchisor, during the 10-year period immediately before the date of the Disclosure Document: (a) filed as debtor (or had filed against it) a petition to start as action under the U.S. Bankruptcy Code; (b) obtained a discharge of its debts under the bankruptcy code; or (c) was a principal officer of a company or a general partner in partnership that either filed as debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code or that obtained a discharge of its debts under the U.S. Bankruptcy Code during or within 1 year after the officer or general partner of the franchisor held this position in the company or partnership.

4. The following is added to the end of Item 5:

The initial franchise fee constitutes part of our general operating funds and will be used as such in our discretion.

5. The following is added to the end of the “Summary” sections of Items 17(c) and Item 17(m):

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.

6. The following is added to Item 17 in the “Summary” section of Item 17(d): “You may terminate the Franchise Agreement on any grounds available by law.”

7. The following is added to the end of the “Summary” section of Item 17(j): “However, no assignment will be made except to an assignee who in the good faith judgment of the franchisor is willing and financially able to assume the franchisor’s obligations under the Franchise Agreement.”

8. The following is added to the “Summary” sections of Item 17(v) and 17(w): “The foregoing choice of law should not be considered a waiver of any right conferred upon you by the GBL of the State of New York, Article 33.”

**MARYLAND ADDENDUM TO
THE BYC FRANCHISING, LLC
FRANCHISE DISCLOSURE DOCUMENT**

Your spouse must sign a document, such as a guarantee, that makes your spouse liable for your financial obligations under the franchise agreement even if your spouse does not own any part of the franchise business. Both you and your spouse's marital and personal assets, including your house, could be lost if your franchise fails.

Item 17 of the Disclosure Document shall be amended to include the following:

A general release required as a condition of renewal, sale, and/or assignment/transfer shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

A Franchisee may bring any court litigation for claims arising under the Maryland Franchise Registration and Disclosure Law in Maryland.

Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within 3 years after the grant of the franchise.

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

The Statement of Prospective Franchisee shall be amended to include the following:

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.

**WASHINGTON ADDENDUM TO
THE BYC FRANCHISING, LLC
FRANCHISE DISCLOSURE DOCUMENT**

The provisions of this Addendum form an integral part of, are incorporated into, and modify the Franchise Disclosure Document, the franchise agreement, and all related agreements regardless of anything to the contrary contained therein. This Addendum applies if: (a) the offer to sell a franchise is accepted in Washington; (b) the purchaser of the franchise is a resident of Washington; and/or (c) the franchised business that is the subject of the sale is to be located or operated, wholly or partly, in Washington.

1. **Conflict of Laws.** In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, chapter 19.100 RCW will prevail.
2. **Franchisee Bill of Rights.** RCW 19.100.180 may supersede provisions in the franchise agreement or related agreements concerning your relationship with the franchisor, including in the areas of termination and renewal of your franchise. There may also be court decisions that supersede the franchise agreement or related agreements concerning your relationship with the franchisor. Franchise agreement provisions, including those summarized in Item 17 of the Franchise Disclosure Document, are subject to state law.
3. **Site of Arbitration, Mediation, and/or Litigation.** 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.
4. **General Release.** A release or waiver of rights in the franchise agreement or related agreements purporting to bind the franchisee to waive compliance with any provision under the Washington Franchise Investment Protection Act or any rules or orders thereunder is void except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel, in accordance with RCW 19.100.220(2). In addition, any such release or waiver executed in connection with a renewal or transfer of a franchise is likewise void except as provided for in RCW 19.100.220(2).
5. **Statute of Limitations and Waiver of Jury Trial.** Provisions contained in the franchise agreement or related agreements that unreasonably restrict or limit the statute of limitations period for claims under the Washington Franchise Investment Protection

Act, or rights or remedies under the Act such as a right to a jury trial, may not be enforceable.

6. **Transfer Fees.** Transfer fees are collectable only to the extent that they reflect the franchisor's reasonable estimated or actual costs in effecting a transfer.
7. **Termination by Franchisee.** The franchisee may terminate the franchise agreement under any grounds permitted under state law.
8. **Certain Buy-Back Provisions.** Provisions in franchise agreements or related agreements that permit the franchisor to repurchase the franchisee's business for any reason during the term of the franchise agreement without the franchisee's consent are unlawful pursuant to RCW 19.100.180(2)(j), unless the franchise is terminated for good cause.
9. **Fair and Reasonable Pricing.** Any provision in the franchise agreement or related agreements that requires the franchisee to purchase or rent any product or service for more than a fair and reasonable price is unlawful under RCW 19.100.180(2)(d).
10. **Waiver of Exemplary & Punitive Damages.** RCW 19.100.190 permits franchisees to seek treble damages under certain circumstances. Accordingly, provisions contained in the franchise agreement or elsewhere requiring franchisees to waive exemplary, punitive, or similar damages are void, except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel, in accordance with RCW 19.100.220(2).
11. **Franchisor's Business Judgement.** Provisions in the franchise agreement or related agreements stating that the franchisor may exercise its discretion on the basis of its reasonable business judgment may be limited or superseded by RCW 19.100.180(1), which requires the parties to deal with each other in good faith.
12. **Indemnification.** Any provision in the franchise agreement or related agreements requiring the franchisee to indemnify, reimburse, defend, or hold harmless the franchisor or other parties is hereby modified such that the franchisee has no obligation to indemnify, reimburse, defend, or hold harmless the franchisor or any other indemnified party for losses or liabilities to the extent that they are caused by the indemnified party's negligence, willful misconduct, strict liability, or fraud.
13. **Attorneys' Fees.** If the franchise agreement or related agreements require a franchisee to reimburse the franchisor for court costs or expenses, including attorneys' fees, such provision applies only if the franchisor is the prevailing party in any judicial or arbitration proceeding.

14. **Noncompetition Covenants.** 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 provision contained in the franchise agreement or elsewhere that conflicts with these limitations is void and unenforceable in Washington.
15. **Non-solicitation Agreements.** 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.
16. **Questionnaires and Acknowledgments.** 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.
17. **Prohibitions on Communicating with Regulators.** Any provision in the franchise agreement or related agreements that prohibits the franchisee from communicating with or complaining to regulators is inconsistent with the express instructions in the Franchise Disclosure Document and is unlawful under RCW 19.100.180(2)(h).
18. **Advisory Regarding Franchise Brokers.** Under the Washington Franchise Investment Protection Act, a “franchise broker” is defined as a person that engages in the business of the offer or sale of franchises. A franchise broker represents the franchisor and is paid a fee for referring prospects to the franchisor and/or selling the franchise. If a franchisee is working with a franchise broker, franchisees are advised to carefully evaluate any information provided by the franchise broker about a franchise.

The undersigned does hereby acknowledge receipt of this addendum.

Dated this _____ day of _____, 20____.

FRANCHISOR

FRANCHISEE

EXHIBIT C
FINANCIAL STATEMENTS



Report of Independent Auditors and
Financial Statements

BYC Franchising, LLC

December 31, 2024, 2023, and 2022



MOSSADAMS

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Report of Independent Auditors

The Members
BYC Franchising, LLC

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of BYC Franchising, LLC, which comprise the balance sheet as of December 31, 2024, and the related statements of income, changes in member's equity, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of BYC Franchising, LLC as of December 31, 2024, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of BYC Franchising, LLC and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Prior Period Financial Statements

The financial statements of BYC Franchising, LLC as of December 31, 2023 and 2022, were audited by other auditors whose report dated April 12, 2024, expressed an unmodified opinion on those statements.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of BYC 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 statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about BYC 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.

Moss Adams LLP

Irvine, California

March 31, 2025

Financial Statements

BYC Franchising, LLC
Balance Sheets
December 31, 2024, 2023, and 2022

	<u>2024</u>	<u>2023</u>	<u>2022</u>
ASSETS			
CURRENT ASSETS			
Cash	\$ 2,647,027	\$ 2,542,670	\$ 2,341,936
Franchise receivables, net	443,006	482,470	422,388
Inventories	129,746	91,102	61,392
Prepaid expenses and other	56,985	62,028	61,506
Total current assets	<u>3,276,764</u>	<u>3,178,270</u>	<u>2,887,222</u>
 Furniture, fixtures and equipment, net	 95,947	 103,816	 114,066
Operating lease right-of-use, assets, net	<u>62,589</u>	<u>71,233</u>	<u>79,801</u>
 Total assets	 <u><u>\$ 3,435,300</u></u>	 <u><u>\$ 3,353,319</u></u>	 <u><u>\$ 3,081,089</u></u>
LIABILITIES AND MEMBERS' EQUITY			
CURRENT LIABILITIES			
Accounts payable	\$ 17,371	\$ 16,598	\$ 37,806
Accrued liabilities	127,920	115,131	107,741
Advertising fund liabilities	671,046	491,493	500,314
Deferred revenue, current	35,970	112,066	65,617
Notes payable, current	5,895	17,704	17,374
Operating lease liabilities, current	12,000	12,000	12,000
Total current liabilities	<u>870,202</u>	<u>764,992</u>	<u>740,852</u>
 Notes payable	 -	 10,804	 31,250
Deferred revenue, noncurrent	580,365	630,935	556,843
Operating lease liabilities, noncurrent	<u>50,589</u>	<u>59,233</u>	<u>67,801</u>
 Total liabilities	 1,501,156	 1,465,964	 1,396,746
 MEMBERS' EQUITY	 <u>1,934,144</u>	 <u>1,887,355</u>	 <u>1,684,343</u>
 Total liabilities and members' equity	 <u><u>\$ 3,435,300</u></u>	 <u><u>\$ 3,353,319</u></u>	 <u><u>\$ 3,081,089</u></u>

See accompanying notes.

BYC Franchising, LLC
Statements of Income
Years Ended December 31, 2024, 2023, and 2022

	<u>2024</u>	<u>2023</u>	<u>2022</u>
REVENUES			
Franchise fees	\$ 406,666	\$ 99,459	\$ 75,160
Royalty fees	3,528,853	3,451,965	3,158,926
Advertising fees	966,325	938,103	793,073
Technology fees	215,065	200,270	117,892
Vendor rebates	680,765	327,765	223,963
Merchandise	<u>147,633</u>	<u>99,191</u>	<u>70,742</u>
Total revenue	<u>5,945,307</u>	<u>5,116,753</u>	<u>4,439,756</u>
OPERATING EXPENSES			
General and administrative	447,098	519,737	516,469
Franchise operations	558,180	506,828	229,442
Salaries, wages and benefits	1,043,589	933,113	845,277
Marketing and advertising	639,399	628,458	537,855
Depreciation	7,868	32,515	33,664
Cost of merchandise sold	<u>141,420</u>	<u>116,852</u>	<u>58,084</u>
Total operating expenses	<u>2,837,554</u>	<u>2,737,503</u>	<u>2,220,791</u>
INCOME FROM OPERATIONS	<u>3,107,753</u>	<u>2,379,250</u>	<u>2,218,965</u>
OTHER INCOME (EXPENSE)			
Other income	5,268	4,280	-
Interest expense	<u>(232)</u>	<u>(555)</u>	<u>(941)</u>
Total other income (expense)	5,036	3,725	(941)
NET INCOME	<u><u>\$ 3,112,789</u></u>	<u><u>\$ 2,382,975</u></u>	<u><u>\$ 2,218,024</u></u>

See accompanying notes.

BYC Franchising, LLC
Statements of Changes in Members' Equity
Years Ended December 31, 2024, 2023, and 2022

BALANCE at Janaury 1, 2022	\$ 1,686,276
Contributions	20,000
Distributions	(2,239,957)
Net income	<u>2,218,024</u>
BALANCE at December 31, 2022	\$ 1,684,343
Distributions	(2,179,963)
Net income	<u>2,382,975</u>
BALANCE at December 31, 2023	\$ 1,887,355
Distributions	(3,066,000)
Net income	<u>3,112,789</u>
BALANCE at December 31, 2024	<u><u>\$ 1,934,144</u></u>

See accompanying notes.

BYC Franchising, LLC
Statements of Cash Flows
Years Ended December 31, 2024, 2023, and 2022

	2024	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income	\$ 3,112,789	\$ 2,382,975	\$ 2,218,024
Adjustments to reconcile net income to net cash provided by operating activities			
Depreciation	7,869	32,515	33,664
Loss on disposal of assets	-	3,158	-
Changes in operating assets and liabilities			
Franchise receivables, net	39,464	(60,082)	(92,614)
Inventories	5,043	(29,710)	(43,873)
Prepaid expenses and other	(38,644)	(19,422)	578
Accounts payable	773	(21,208)	481
Accrued liabilities	192,342	(1,431)	214,759
Deferred revenue	(126,666)	120,541	14,841
Net cash provided by operating activities	<u>3,192,970</u>	<u>2,407,336</u>	<u>2,345,860</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of property and equipment	<u>-</u>	<u>(6,523)</u>	<u>(28,456)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of debt	(22,613)	(20,116)	(19,157)
Member distributions	<u>(3,066,000)</u>	<u>(2,179,963)</u>	<u>(2,239,957)</u>
Net cash used in financing activities	<u>(3,088,613)</u>	<u>(2,200,079)</u>	<u>(2,259,114)</u>
NET INCREASE (DECREASE) IN CASH	104,357	200,734	58,290
CASH, beginning of year	<u>2,542,670</u>	<u>2,341,936</u>	<u>2,283,646</u>
CASH, end of year	<u><u>\$ 2,647,027</u></u>	<u><u>\$ 2,542,670</u></u>	<u><u>\$ 2,341,936</u></u>
SUPPLEMENTAL NONCASH FINANCING ACTIVITIES			
Cash paid for interest	<u><u>\$ 232</u></u>	<u><u>\$ 584</u></u>	<u><u>\$ 941</u></u>
SUPPLEMENTAL NONCASH FINANCING ACTIVITIES			
Exchange of debt and equity for property	<u><u>\$ -</u></u>	<u><u>\$ 52,363</u></u>	<u><u>\$ -</u></u>

See accompanying notes.

BYC Franchising, LLC

Notes to Financial Statements

Note 1 – Organization of Business and Nature of Operations

BYC Franchising, LLC (the Company or BYC), was formed as a California Limited Liability Company (LLC) in February 2010 for the purpose of franchising restaurants in the United States and worldwide under the “Broken Yolk Cafe” concept (BYC Concept). The BYC Concept offers a large selection of freshly-cooked, home-style meals and other menu items for on-premise, off premise and take-out consumption in a casual and comfortable environment. Broken Yolk Cafe® Restaurants serve delicious meals to their customers during breakfast and lunch hours.

The Company’s activities relate to the development of the BYC franchise system through a 20-year royalty free renewable trademark license agreement with an affiliate BYC, Inc. The license agreement grants the Company an exclusive right to use the BYC Concept’s trademarks and to license the trademarks to franchisees under franchise agreements or Area Development Agreements (ADA). The ADA allows the franchise owner the right to establish and operate a BYC restaurant under a franchise agreement in a specific geographic region. The franchise agreements are typically for 20 years and will require the franchisee to pay an up-front initial franchise fee for each location to be opened.

Once the franchisee begins operations, the Company will charge a royalty fee and marketing fee of up to 4% and 1%, respectively, of franchise gross sales. Other fees collected from the franchisee include training and technology fees, which are recorded as earned when incurred. As of December 31, 2024, there were 40 BYC Concept restaurants, of which 1 is owned by an affiliate and 39 are franchised-owned. The Company had the following changes in its franchised-owned store count:

Franchise Count

January 1, 2022	33
Opened	1
December 31, 2022	34
Opened	3
December 31, 2023	37
Opened	4
Closed	(2)
December 31, 2024	39

Note 2 – Summary of Significant Accounting Policies

Basis of presentation – The Company’s financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). The Company believes this information includes all adjustments, consisting of normal recurring accruals, necessary to fairly present the financial condition. References to ASC and ASU included hereinafter refer to the Accounting Standards Codification and Accounting Standards Update established by the Financial Accounting Standards Board (FASB) as the source of authoritative U.S. GAAP.

Reclassifications – Certain reclassifications have been made to the prior year balances in order to conform to the current year’s presentation. Such reclassifications or title changes had no impact on net income as previously reported.

BYC Franchising, LLC

Notes to Financial Statements

Use of estimates – The preparation of the financial statements in accordance with U.S. GAAP requires that management makes certain estimates and assumptions. These estimates and assumptions affect the reported amount of assets and liabilities and the disclosure of contingent assets and liabilities as of the balance sheet dates. The actual results could differ significantly from those estimates.

Cash – For purposes of the balance sheets and statements of cash flows, the Company considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents. As of December 31, 2024, 2023, and 2022, the Company carried no cash equivalents.

Concentration of credit risk – Financial instruments that potentially subject the Company to concentrations of credit risk consist primarily of cash and franchise receivables. The Company currently maintains its day-to-day operating cash balances with a major financial institution. At various times during the years ended December 31, 2024, 2023, and 2022, cash balances were in excess of Federal Deposit Insurance Corporation (FDIC) insurance limits. The Company has experienced no loss or lack of access to cash in its operating accounts and believes it is not exposed to any significant credit risk.

Fair value measurements – The Company's financial instruments, none of which are held for trading purposes, include current assets, accounts payable and accrued expenses. The carrying amount of notes payable approximates fair value as the interest rates are based on established market rates. Management estimates that the fair value of all financial instruments as of December 31, 2024, 2023, and 2022, do not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying financial statements due to the short maturities of these instruments.

Franchise receivables – Franchise receivables consist primarily of amounts due from franchisees for royalty, advertising, and technology fees and are stated net of an allowance for credit losses. On a periodic basis, the Company evaluates its franchise receivable balance and establishes an allowance for credit losses to estimate losses from uncollectible accounts, if required, based on a history of past write-offs and collections and current credit considerations. Receivables balances are written off against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote. There was no allowance for credit losses based upon management's assessment of collectability as of December 31, 2024, 2023, and 2022. Franchise receivables, net as of December 31, 2021 amounted to approximately \$330,000.

Inventories – Inventories consist primarily of branded promotional merchandise that are available for direct sales to customers. Inventory is stated at the lower of cost, determined by the first-in, first-out method, or net realizable value. The Company assesses obsolete inventory periodically. For the years ended December 31, 2024, 2023 and 2022, there were no write-downs for obsolete inventory.

Prepaid expenses – Prepaid expenses consist primarily of prepayments for insurance and other operating expenses.

BYC Franchising, LLC

Notes to Financial Statements

Property and equipment, net – Property and equipment, net, are carried at cost, less accumulated depreciation. Expenditures for additions, replacement, and major improvements are capitalized. Maintenance, repairs, and minor renewals are expensed as incurred. Depreciation is computed on a straight-line basis over the estimated useful lives of the class of assets, generally five years to seven years. Leasehold improvements are depreciated over the shorter of the lease term and the useful lives of the improvements. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation is removed from the accounts, and any resulting gain or loss is recognized.

Impairment of long-lived assets – In accordance with FASB ASC 360, *Property, Plant, and Equipment*, management reviews long-lived assets for possible impairment whenever events or circumstances indicate that the carrying amount of an asset may not be recoverable. An impairment loss would be recognized in the event the carrying value of such assets exceeds the expected future cash flows, on an undiscounted basis, to be generated from the assets, including eventual disposition. If these cash flows are less than the carrying amount of the asset, an impairment loss is recognized to write down the asset to its estimated fair value. No impairment charges were recorded during the years ended December 31, 2024, 2023, and 2022.

Deferred franchise fee revenue – Deferred franchise fee revenue is a contract liability related to a revenue-producing activity for which revenue has not yet been recognized. The Company records deferred revenues when it receives consideration from a customer before achieving certain criteria that must be met for revenue to be recognized in conformity with GAAP. As of December 31, 2024, 2023, and 2022, deferred franchise fee revenue represents initial franchise fees paid upon the signing of franchise agreements and ADAs.

Revenue recognition – The Company records revenue under FASB ASC Topic 606, *Revenue from Contracts with Customers (Topic 606)*, which requires revenue to be recorded as the transfer of promised goods or services to customers in an amount that reflects the consideration to which the reporting entity expects to be entitled in exchange for those goods or services. The following revenue recognition policies are in place:

Franchise fees – The franchise arrangement between the Company and each franchise owner of a BYC Concept is documented in the form of a franchise agreement and, in select cases, an ADA. The franchise agreement requires the Company as the franchisor to perform various activities to support the BYC brand and does not involve the direct transfer of goods and services to the franchise owner as a customer. The Company has identified two performance obligations for the initial franchise fees: pre-opening support and use of the license and intellectual property. These services are distinct within the franchise agreement and therefore, are considered two separate performance obligations. Revenues are recognized for pre-opening support services upon the opening of a locations. The remaining initial fees is for the use of the license and intellectual property, which requires other support services to be performed by the Company. The nature of the Company's promise in granting the franchise license is to provide the franchise owner with access to the brand's intellectual property over the term of the franchise agreement, which is generally 20 years.

BYC Franchising, LLC

Notes to Financial Statements

The Company's performance obligation under area development agreements generally consists of an obligation to grant geographic area development rights in a protected development territory. These development rights are distinct from franchise agreements as they relate to a Developer's right and obligation to establish and open a designated number of Restaurants in a development territory according to a development schedule which establishes the timeline for the opening of each Restaurant. Upfront fees paid by Developers for development rights are deferred and apportioned to each franchise agreement signed by the franchisee. The pro rata amount apportioned to each franchise agreement is accounted for identically to the initial franchise fee.

Royalty fee revenue – Royalty fee revenue represents royalties earned from each of the franchisees in accordance with the franchise disclosure document and the franchise agreement for use of the "Broken Yolk Cafe" name, processes, and procedures. The royalty rate in the franchise agreement is up to four percent of the gross sales of each restaurant operated by each franchisee. Royalty fee revenue from franchised locations is recognized in the period earned and is recorded monthly when the sales are reported by the franchisees.

Advertising revenue – Advertising fee revenue represents fees earned from each of the franchisees in accordance with the franchise disclosure document and the franchise agreement for use of the "Broken Yolk Cafe" name for promotional materials. The advertising fee rate in the franchise agreement is up to one percent of the gross sales of each restaurant operated by each franchisee. Advertising fee revenue from franchised locations is recognized in the period earned and is payable to the Company monthly when the sales are reported by the franchisees.

Technology fee revenue – Technology fee revenue is earned from a monthly technology fee charged to ongoing franchisees based on a rate agreed upon in the franchise agreement. Technology fees are collected and recognized monthly, and the fee is fixed based on amounts indicated in the franchise agreement.

Vendor rebates – The Company receives vendor rebates in the form of consideration and product purchase credits from certain preferred vendor arrangements. Revenue is recognized when amounts have been earned and collectability from the vendor is reasonably assured.

Merchandise revenues – The Company offers its branded merchandise to its customers, and the value of these products is determined based on the retail value of such products and is recognized upon delivery to the customer.

General and administrative expenses – General and administrative expenses consist of costs associated with administrative support functions. These costs primarily consist of IT-related, legal and professional, and taxes.

Franchise operations – The Company incurs certain operating expenses related to supporting new franchise openings and for continued support. Franchise operations expenses consists of costs related to travel, lodging, and transportation, and for costs associated with a third-party franchise consulting company, including related commissions, that provides operational support to its franchisees.

Salaries, wages, and benefits – Salaries, wages, and benefits include operational and management personnel wages, taxes, and fringe benefit costs.

BYC Franchising, LLC

Notes to Financial Statements

Marketing and advertising— The Company incurs certain expenses related to the advertising fund, which are amounts paid to third parties but also consist of personnel expenses and allocated costs. In accordance with Topic 606 and the Company's franchise agreements, any surplus of advertising funds collected and not used are recorded as advertising funds payable on the balance sheets.

Income taxes — The Company is an LLC and is considered a disregarded entity for income tax purposes. The Company's taxable income or loss is reportable by the Member on its income tax returns. Accordingly, no taxes payable of deferred tax assets or liabilities are reflected in these financial statements.

The Company accounts for uncertain tax positions in accordance with ASC 740. ASC 740 prescribes a recognition threshold and measurement process for accounting for uncertain tax positions and also provides guidance on various related matters such as derecognition, interest, penalties, and required disclosures. The Company does not have any uncertain tax positions.

Subsequent events — Subsequent events are events or transactions that occur after the balance sheet date, but before the financial statements are issued. The Company recognizes in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the balance sheets, including the estimates inherent in the process of preparing the financial statements. The Company's financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the balance sheet, but arose after the balance sheet date, and before the financial statements were issued.

The Company has evaluated subsequent events through March 31, 2025, which is the date the financial statements were available to be issued.

Note 3 – Property and Equipment, Net

Property and equipment, net, consist approximately of the following:

	2024	2023	2022
Furniture and fixtures	\$ 18,000	\$ 18,000	\$ 20,000
Transportation equipment	116,000	116,000	147,000
Office equipment	48,000	48,000	46,000
Leasehold improvements	2,000	2,000	2,000
	184,000	184,000	215,000
Less: accumulated depreciation	(88,000)	(80,000)	(101,000)
Total property and equipment, net	\$ 96,000	\$ 104,000	\$ 114,000

Depreciation expense during the years ended December 31, 2024, 2023, and 2022, was approximately \$8,000, \$33,000, and \$34,000, respectively.

BYC Franchising, LLC

Notes to Financial Statements

Note 4 – Deferred Revenues

Deferred revenue and franchise receivables are as follows:

	December 31, 2024	December 31, 2023	December 31, 2022	January 1, 2022
Franchise receivables	\$ 443,000	\$ 482,000	\$ 422,000	\$ 330,000
Deferred revenue, current	\$ (36,000)	\$ (112,000)	\$ (66,000)	\$ (75,000)
Deferred revenue, noncurrent	\$ (580,000)	\$ (631,000)	\$ (557,000)	\$ (532,000)

The following table reflects the approximate changes in deferred revenues as of December 31:

	2024	2023	2022
BALANCE, beginning of period	\$ 743,000	\$ 622,000	\$ 608,000
Revenue recognized during the period	(207,000)	(99,000)	(76,000)
New deferrals due to cash received	80,000	220,000	90,000
Balance, end of period	\$ 616,000	\$ 743,000	\$ 622,000

The following table illustrates the approximate revenue expected to be recognized in the future related to performance obligations that are unsatisfied (or partially unsatisfied) as of December 31, 2024:

Years Ending,	
2025	\$ 36,000
2026	36,000
2027	36,000
2028	36,000
2029	34,000
Thereafter	438,000
Total	\$ 616,000

Note 5 – Notes Payable

The Company financed its transportation equipment through equipment financing, which is secured by the equipment being financed. Note payables amounted to approximately \$6,000, \$29,000, and \$49,000 as of December 31, 2024, 2023, and 2022, respectively. The note is payable in equal monthly installments of \$539 for principal and interest at a rate of 0.00% and will be paid in full during 2025.

BYC Franchising, LLC

Notes to Financial Statements

Note 6 – Commitments and Contingencies

Operating lease – The Company currently leases its office space from an affiliate, BYC, Inc. The lease has an original lease term of ten years, with a renewal option term that can extend the lease term an additional ten years. The exercise of lease renewal options is at the Company's sole discretion.

At the inception of the lease, the Company determined its appropriate classification as an operating lease and to determine the present value of the lease payments not yet paid, the Company estimated the incremental borrowing rates using the risk-free rate. The discount rate for the lease was 4.3% at its inception and there is a 6-year remaining lease term.

Rent expense amounted to approximately \$12,000 during each of the three years ended December 31, 2024, 2023, and 2022, and is included within general and administrative expenses on the statements of income.

As of December 31, 2024, future maturities of the lease liability is approximately as follows:

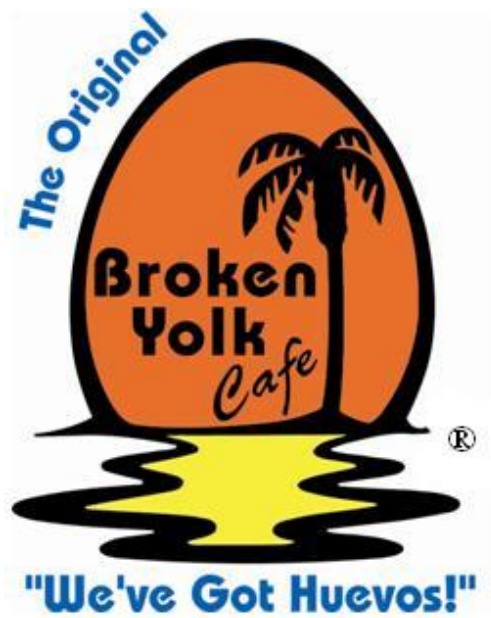
Years Ending December 31,	
2025	\$ 12,000
2026	12,000
2027	12,000
2028	12,000
2029	12,000
Thereafter	12,000
	72,000
Less: amount representing interest	(9,000)
Total lease liabilities	\$ 63,000

Litigation – The Company at times is subject to legal proceedings and claims which arise in the ordinary course of its business. It is the opinion of management that the outcome of these matters will have no material adverse effect on the financial position or results of operations of the Company.

Note 7 – Members' Equity

The Company's LLC operating agreement has a perpetual life. Excess cash flow, tax liability distributions, and profits and losses are to be distributed to the Members in accordance with the operating agreement. The liability of the Company's Members is limited to each of the Member's specific capital balance. Upon liquidation of the Company, the net assets shall be distributed to the Member.

EXHIBIT D
FRANCHISE AGREEMENT



BROKEN YOLK CAFE®
FRANCHISE AGREEMENT

Dated: _____

Accepted Site:

Franchisee:

Franchisee Notice Address:

BROKEN YOLK CAFE® FRANCHISE AGREEMENT

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BROKEN YOLK CAFE® FRANCHISE AGREEMENT

This Franchise Agreement ("**Agreement**"), dated for identification purposes only as of _____, 201____, is made and entered into by and between **BYC FRANCHISING, LLC**, a California limited liability company (the "**Company**"), and _____ ("**Franchisee**").

1. SCOPE AND PURPOSE OF AGREEMENT

1.1 In this Agreement, the words "**Licensed Assets**" refer to all proprietary and other property rights and interests in and to the "**Broken Yolk Cafe®**" trademarks and service marks, logos, insignias and commercial symbols, (the "**BYC Marks**"), trade dress, designs, policies, standards, operating procedures, recipes, computer software, trade secrets, trade practices, copyrights, patents, supplier lists, forms, advertising, merchandising techniques, training materials, uniforms, signs, menus and related items, the reputation and goodwill derived therefrom, the Operations Manual (the "**Manual**") and all other tangible and intangible property as the Company may from time to time authorize or direct Franchisee to use in connection with the operation of a Broken Yolk Cafe® restaurant.

1.2 The Licensed Assets have been licensed to the Company by its Affiliate, BYC, Inc., a California corporation ("**Licensor**"), in order for the Company to develop a distinctive format and method of doing business for the operation of full-service, family-style restaurants using the Licensed Assets and serving a large variety of uniquely-named breakfast and lunch items and related products and services (collectively, the "**BYC System**"). Therefore, in entering into this Agreement, Franchisee fully understands and agrees that this Agreement is conditioned upon the continued strict adherence by Franchisee to all standards, policies, procedures and requirements published or which may from time to time be published or otherwise brought to Franchisee's attention by the Company for the operation, maintenance or improvement of Broken Yolk Cafe® restaurants under the BYC System and the BYC Marks. Franchisee understands and agrees that strict adherence to these standards, policies, procedures and requirements, is essential to the value of the BYC System and the BYC Marks.

1.3 Franchisee desires to operate and manage the Restaurant to be located at the address identified on Exhibit "A" (the "**Accepted Site**").

1.4 Franchisee represents that it is experienced in and has independent knowledge of the nature and specifics of the restaurant and/or retail business, or that it agrees to engage on a full-time basis an Operations Director with this experience. Franchisee understands that there is not, nor can there be, any assurance or guaranty of success in the franchise business and that Franchisee's business ability and attitude are primary in determining Franchisee's success. Franchisee represents that, in entering into this Agreement, it has relied solely on its personal knowledge and understanding and has not relied on any representation of the Company or any of its officers, directors, employees or agents, except those representations contained in any legally required disclosure document delivered to Franchisee. Franchisee understands that the success of the business contemplated by this Agreement is subject to substantial risks and depends in large part on the business ability of

Franchisee and its active participation in the development and management of the franchise business.

1.5 In consideration of the foregoing representations and agreements of Franchisee and other consideration as set forth herein, and subject to all of the terms, covenants and conditions of this Agreement, the Company hereby grants to Franchisee, and Franchisee hereby accepts from the Company, the right and license to operate at the Accepted Site, a full-service, retail, family style restaurant offering and serving a variety of breakfast and lunch menu items and related products and services, in accordance with the BYC System (“**Traditional Broken Yolk Cafe® Restaurant**” or “**the Restaurant**”). Franchisee acknowledges that the franchise granted hereunder is only for the Accepted Site, and, Franchisee is not granted any area, market or protected territorial rights, except for the Designated Area as more fully described in Section 1.6 and Exhibit “A” hereof. Subject to the terms of this Agreement, the Company agrees not to open, for itself or through any Affiliate, a Traditional Broken Yolk Cafe® Restaurant or award franchises for Traditional Broken Yolk Cafe® Restaurants in the Designated Area during the term of this Agreement. Franchisee expressly acknowledges and agrees that the Company and its Affiliates have and expressly reserve the right to (a) operate and license others to operate Non-Traditional Broken Yolk Cafe® Restaurants at any location whether within or outside the Designated Area, and (b) merchandise and distribute goods and services identified by the BYC Marks at any location through any method or channel of distribution, including, without limitation, grocery or convenience stores and via the Internet. Non-Traditional Broken Yolk Cafe® Restaurants shall include all universities, colleges, hospitals, municipal facilities, airports, train stations, public transportation facilities, shopping malls (excluding outparcels), sports stadiums, casinos and gaming venues, military and governmental sites and food courts, drug stores, department stores, truck stops, hotel or motel chains, and similar locations of a “non-traditional” nature, regardless of their proximity to any other Traditional Broken Yolk Cafe® Restaurant. For purposes of this Agreement, “**Affiliate**” means any person or entity that controls, is controlled by or is under common control with another person or entity hereunder.

1.6 Subject to the Company's reservation of rights regarding development of Non-Traditional Restaurants as described in Section 1.5 hereof, Franchisee is granted the protected right to operate a Traditional Broken Yolk Cafe® Restaurant in the Designated Area described in Exhibit "A" attached hereto; meaning that during the term of this Agreement, the Company will not for itself nor through an Affiliate, open a Traditional Broken Yolk Cafe® Restaurant or award a franchise for a Traditional Broken Yolk Cafe® Restaurant in the Designated Area, subject to the terms and conditions of this Agreement. Except for the express rights set forth herein regarding the Designated Area, nothing contained in this Agreement, whether express or implied, shall be deemed in any way to prevent or limit the Company and its subsidiaries and Affiliates from opening and/or operating, or granting the right to any person to open and/or operate, restaurants in the immediate vicinity of, or adjacent to, the Designated Area. Franchisee understands and agrees that the Company and/or its subsidiaries or Affiliates, in their sole discretion, may open and/or operate Non-Traditional Restaurants in any location they choose, or may authorize or license others to do the same, whether they are in competition with or in any other way affect the sales of Franchisee at the Restaurant.

If an accepted site and Designated Area are not identified at the time Franchisee signs this Franchise Agreement, the Company will provide Franchisee with an amended Exhibit “A” promptly following its acceptance of a site, identifying the Accepted Site for Franchisee’s Broken Yolk Cafe® Restaurant and the Designated Area.

1.7 It is expressly understood and agreed by the parties that Franchisee is and shall be an independent contractor, that Franchisee is not for any purpose an employee or agent of the Company, and that all of the personnel employed by Franchisee at the Restaurant will be employees or agents of Franchisee as an independent contractor and will not be employees or agents of the Company. Franchisee is solely responsible for the hiring and firing of Franchisee’s employees and the terms and conditions of their employment, including without limitation benefits, disciplinary policies, scheduling, hours and wages. Franchisee agrees to train staff members in the skills and subject areas required of their respective positions and is solely responsible for hiring sufficient personnel to adequately staff each Restaurant such that it is operated in compliance with this Agreement and the Manual. Franchisee understands and agrees that, as an independent contractor, it does not have the authority to do anything for or on behalf of the Company including, but not limited to, holding itself out as the Company; signing contracts, notes or other instruments; purchasing, acquiring or disposing of any property; or incurring any other obligation or liability.

2. **THE BROKEN YOLK CAFE® MARKS & PROPRIETARY PROPERTY**

2.1 Upon the terms, covenants and conditions contained herein and during the term hereof, Franchisee shall have the right to use the BYC Marks, trade dress, trade secrets, designs, patents, copyrights and other intellectual property (the “**Intellectual Property**”) but only in connection with retail sales and service of certain merchandise and food products which Franchisee is required to prepare and sell to the general public in and at the Restaurant. The Company will provide guidance on proper logo and trademark usage.

2.2 Nothing contained herein shall be construed as authorizing or permitting Franchisee to use the Licensed Assets at any location other than the Accepted Site or for any purpose or in any manner other than that authorized herein; or in connection with the sale of any products for resale, or any products not required or approved by the Company, or any products prepared at any place other than at the Accepted Site; provided, however, that catering, off premises and/or special event sales may be undertaken by Franchisee in strict adherence with the limitations and procedures set forth in the Manual. Notwithstanding anything to the contrary contained herein, the Company may require Franchisee to discontinue the preparation, offer or sale of any product or item which, in the opinion of the Company or any of its representatives, does not conform to the quality standards or image of the Company and its products.

2.3 Nothing contained herein shall give Franchisee or any Franchisee Affiliate any right, title or interest in or to any of the Licensed Assets excepting only the privilege and license, during the term hereof, to display and use the same according to the foregoing limitations. Any and all goodwill arising in connection with Franchisee's use of the Licensed Assets shall belong solely to the Company.

2.4 Franchisee agrees that the business franchised hereunder shall be operated under the trademark "Broken Yolk Cafe®" without any suffix or prefix attached thereto. Franchisee shall use signs and other advertising which denote that the Restaurant is named Broken Yolk Cafe® and which are approved by the Company in advance. If Franchisee is an Entity (as defined below), the name of such Entity shall not contain any of the BYC Marks.

2.5 Except as the Company may otherwise permit in writing, Franchisee shall not display or use the trademark, trade name, service mark, logo types, label, design or other identifying symbol or name of any other person, or Entity in, on or at the Restaurant or the Accepted Site.

2.6 Franchisee agrees that in all public records, in its relationship with other persons or companies, and in any offering circular, prospectus or similar document, Franchisee shall indicate clearly that Franchisee's business is independently owned and that the operations of said business are separate and distinct from the operation of the Company's business. Franchisee is in charge of the day-to-day operations of the franchise business and shall display at the Restaurant, in such locations as may be specified by the Company and in all correspondence, business cards and forms, a notification that the Restaurant is operated by an independent operator and not by the Company.

2.7 Franchisee shall not develop, create, generate, own, license, lease or use in any manner any computer medium or electronic medium (including, without limitation, any Internet home page, e-mail address, website, domain name, bulletin board, social media site, newsgroup or other Internet-related medium) which in any way uses or displays, in whole or in part, the Intellectual Property, or any words, symbols or terms confusingly similar thereto without the Company's express written consent, and then only in such manner and in accordance with such procedures, policies, standards and specifications as the Company may establish from time to time.

2.8 The Company or Licensor is the owner of, and will retain all right, title and interest in and to the names: "Broken Yolk Cafe", "BYC Franchising, LLC" and "BYC, Inc."; the domain names: thebrokenyolkcafe.com, wevegothuevos.com and brokenyolkfranchise.com; all existing and future domain names, URLs, future addresses and sub-addresses using the BYC Marks in any manner; all software; all content prepared for, or used on, the Website; and all intellectual property rights in and to any of them.

3. **TERM**

3.1 The term of this Agreement shall commence on the date the Company executes this Agreement, as noted on the signature page, (the "**Effective Date**") and shall end on the date which is the twentieth (20th) anniversary of the date Franchisee first opens the Restaurant to the public (the "**Opening Date**"), unless sooner terminated as provided herein. Promptly following the Opening Date, the parties shall execute an opening date memorandum in the form of Exhibit "B" which shall confirm the Opening Date; provided, however, if the parties fail to execute such memorandum, the Opening Date shall be as determined in good faith by the Company. Upon the expiration or earlier termination of this Agreement, Franchisee shall have no right or option to extend the term of this Agreement. The sole conditions under which Franchisee will have the opportunity to obtain a successor Franchise Agreement upon the expiration of the term of this Agreement are set forth at Section 20.

4. SITE DEVELOPMENT

4.1 With the assistance of qualified real estate professionals (including licensed brokers) Franchisee shall use its best efforts to locate one or more proposed sites for the Restaurant within one hundred twenty (120) days following commencement of this Agreement. Franchisee shall submit a proposed site for the Restaurant for acceptance by the Company together with such site information as may be reasonably required by the Company to evaluate the proposed site. Provided there exists no default by Franchisee or any Franchisee Affiliate under this Agreement or any other development, franchise or other agreement between the Company and Franchisee or any Franchisee Affiliate, the Company will send a representative to evaluate each site proposed for which Franchisee has provided all requested information and meets the initial criteria as stated in advance by the Company. The Company will use commercially reasonable efforts to approve or disapprove the proposed site within thirty (30) days after Franchisee's complete submission.

Within ninety (90) days after the Company has transmitted written notice of acceptance of a site for the Restaurant to Franchisee, Franchisee shall submit in writing to the Company:

- a. a copy of the fully executed lease of the site for a term which lease shall contain the provisions required in Section 4.2 below and renewal options for not less than the initial term of the Franchise Agreement; or
- b. a copy of the fully executed written agreement to purchase the approved site on terms provided herein, subject, only to obtaining necessary governmental permits.

Franchisee shall employ only those real estate brokers, architectural firms, contractors and other real estate development professional approved by the Company. All contractors hired by Franchisee must be fully licensed and bonded.

4.2 Except as may be otherwise provided in an applicable Area Development Agreement, Franchisee will have completed construction of the Restaurant at the Accepted Site and the Restaurant shall be open to the public no later than twelve (12) months following the date of the Company's execution of this Agreement. If a deadline date is specified in an Area Development Agreement for the Opening of the Restaurant to be operated under this Agreement, the terms of the Area Development Agreement will control. If Franchisee has not timely opened the Restaurant, the Company may terminate this Agreement and any other agreements between Franchisee or any Franchisee Affiliate and the Company related to any rights that Franchisee or any Franchisee Affiliate may have to develop Broken Yolk Cafe® restaurants which are not yet open or for which a Franchise Agreement has not been yet been mutually executed.

The Company shall have no liability under any lease or purchase agreement for the Restaurant location and shall not guarantee Franchisee's obligations under the same. The Company shall have no obligation to assist Franchisee to negotiate any lease or purchase agreement.

Any lease entered into by Franchisee shall include the following terms and conditions which may be contained in the body of the lease or in a signed addendum to the lease in a form approved by the Company:

- a. a covenant restricting the landlord or its Affiliates, from leasing to another tenant in the same center which operates a family-style, breakfast café/restaurant serving menu items similar to the Restaurant menu items;
- b. the landlord's consent to Franchisee's use of the premises as a Broken Yolk Cafe® restaurant and such restaurant may be open for business during the required days and hours set forth in the Manual from time to time;
- c. the landlord's agreement to furnish the Company with copies of any and all notices of default, if any, pertaining to the lease and the premises, at the same time that such notices are sent to Franchisee;
- d. the landlord's agreement that, subject to any other applicable provisions in this Agreement, the Company shall have the right, at its sole option and without any obligation whatsoever to do so, to assume Franchisee's occupancy rights under the lease for the remainder of its term upon Franchisee's default or termination under such lease, the termination of this Agreement, or the exercise by the Company of its right of first refusal or right to purchase as set forth at Sections 17 and 19 of this Agreement and also as contained in the Collateral Assignment of Lease; and
- e. that upon expiration or termination of the lease for any reason, Franchisee shall, upon the Company's demand, remove all of the Intellectual Property from the Restaurant and the Accepted Site and modify the decor of the Restaurant and Accepted Site so that it no longer resembles, in whole or in part, a Broken Yolk Cafe® restaurant and that if Franchisee shall fail to do so, the Company will be given written notice and the right to enter the Accepted Site to make such alterations, in which event Franchisee shall reimburse the Company for all direct and indirect costs and expenses it may incur in connection therewith, including attorney's fees.

4.3 Failure by Franchisee to develop and open the Restaurant at the approved site to the public within twelve (12) months of the Effective Date of this Agreement shall constitute a material default hereunder, unless otherwise provided under an Area Development Agreement, as provided in Section 4.2, above. Prior to opening the Restaurant, Franchisee shall obtain and thereafter maintain throughout the term of this Agreement all necessary business licenses, permits and other documentation necessary for the operation of the Restaurant.

4.4 Franchisee understands and acknowledges that in accepting Franchisee's Accepted Site, or by granting a franchise for the Accepted Site (whether or not formerly operated as a Company-owned Restaurant), the Company does not in any way endorse, warrant or guarantee either directly or indirectly the suitability of such Accepted Site or the success of the franchise business to be operated by Franchisee at such Accepted Site. The suitability of the Accepted Site and the success of the franchise business depend upon a number of factors outside of the Company's control

including, but not limited to, the Franchisee's operational abilities, site location, consumer trends and such other factors that are within the direct control of the Franchisee. The Company may require, as a condition to its approval of a site, a site description and analysis, traffic and other demographic information, all in such format as the Company may require, which information shall include, without limitation, a study prepared by a third party reasonably acceptable to the Company analyzing the impact of the proposed site on other franchised restaurants surrounding or within the vicinity of such proposed site. All such analyses, information and studies shall be prepared at the sole cost and expense of Franchisee.

5. IMPROVEMENTS, FIXTURES AND EQUIPMENT

5.1 Franchisee, at its sole expense, shall construct or, in the case of an existing building, remodel the Accepted Site and install such signs, fixtures, furniture, Point of Sale ("POS") systems, computer systems and other equipment at the Accepted Site as are required in accordance with the Company's current requirements and specifications for same. Franchisee shall be responsible for obtaining all zoning classifications and clearances which may be required by state or local laws, ordinances or regulations. Franchisee shall obtain from applicable governmental authorities all permits, licenses and certifications required for lawful construction or remodeling work and for the operation of the Restaurant. If requested by the Company, Franchisee shall submit to the Company a copy of all such required permits, licenses and certifications for the construction or remodeling work prior to commencing the construction or remodeling of the Accepted Site.

5.2 The Company shall provide Franchisee with standard plans and a sample layout for a typical Broken Yolk Cafe® restaurant and a set of typical construction, equipment and decor specifications including interior and exterior finish materials (the "**Plans**"). At all times, Franchisee shall use its best efforts to treat and keep the Plans and the information contained therein as confidential as possible and limit access to the Plans to employees and independent contractors of Franchisee on an as-needed basis only. Franchisee acknowledges that the unauthorized use or disclosure of the Company's Plans and the confidential information contained therein will cause irreparable injury to the Company and that damages are not an adequate remedy. Franchisee accordingly covenants that without the Company's prior written consent, Franchisee shall not disclose (except to such employees, agents, contractors or subcontractors as must have access to such Plans in order to construct the Restaurant at the Accepted Site) or use or permit the use of such Plans (except as may be required by applicable law or authorized by this Agreement), or copy, duplicate, record or otherwise reproduce such Plans, in whole or in part, or otherwise make the same available to any person or source not authorized in writing by the Company to receive such Plans or the information contained therein at any time during the term of this Agreement or thereafter.

5.3 Franchisee, at its sole expense, shall employ approved, qualified and legally licensed or certified architects, designers, engineers, contractors and other construction professionals as may be necessary to complete, substitute, adapt or modify the Plans for the Restaurant so as to create a set of final plans and specifications. Creating a set of final plans and specifications may include, but is not limited to, adapting plans for structural engineering, architectural requirements, interior and exterior materials, locally available building materials, local weather requirements and federal,

state and local code requirements. In some cases, these can lead to substantial changes and costs in the provided plans. FRANCHISEE SHALL SUBMIT TO THE COMPANY A COMPLETE SET OF FINAL PLANS AND SPECIFICATIONS, INCLUDING A SITE PLAN, AND OBTAIN THE COMPANY'S WRITTEN APPROVAL OF SUCH PLANS AND SPECIFICATIONS PRIOR TO COMMENCING THE CONSTRUCTION OF THE RESTAURANT OR, IN THE CASE OF AN EXISTING BUILDING, THE REMODELING WORK FOR THE RESTAURANT. The Company shall review such final plans and specifications promptly and approve or disapprove the same, and the Company may provide comments on the plans and specifications to Franchisee.

5.4 Franchisee shall use a qualified licensed general contractor to perform the construction or remodeling work at the Restaurant. Franchisees' general contractor shall provide a schedule to the Company before the start of construction. The Company shall not be responsible for delays in the construction, equipping or decoration of the Restaurant or for any loss resulting from the Restaurant design or construction. The Company must approve in writing any and all changes in the Restaurant plans relating to the BYC System, as described in Section 5.3 above, prior to the construction or remodeling of the Restaurant or the implementation of such changes. FRANCHISEE SHALL PROVIDE WRITTEN NOTICE TO THE COMPANY OF THE DATE UPON WHICH CONSTRUCTION OF THE RESTAURANT COMMENCED WITHIN SEVEN (7) DAYS AFTER COMMENCEMENT. Franchisee's failure to commence the design, construction or remodeling, equipping and opening of the Restaurant promptly and diligently and to comply with the Restaurant opening deadline, as provided in Section 4.2, shall be grounds for the termination of this Agreement.

The Company shall make at least two (2) on-site visits to Franchisee's Restaurant, including a final inspection of the completed Restaurant and Accepted Site and may require such corrections and modifications as it deems necessary to bring the Restaurant and the Accepted Site into compliance with approved final plans and specifications. FRANCHISEE SHALL NOTIFY THE COMPANY OF THE DATE OF COMPLETION OF CONSTRUCTION AND, WITHIN A REASONABLE TIME THEREAFTER, THE COMPANY SHALL CONDUCT THE FINAL INSPECTION OF THE RESTAURANT AND ITS PREMISES. The Company will provide Franchisee with a checklist of pre-opening requirements. Franchisee acknowledges and agrees that Franchisee shall not open the Restaurant for business without the express written authorization of the Company and that the Company's authorization to open shall be conditioned upon Franchisee's furnishing to the Company:

- a. A letter from the general contractor responsible for the construction or remodeling of the Restaurant indicating that the Restaurant has been constructed or remodeled in substantial conformance with the approved final plans and specifications, including any changes thereto approved by the Company, and in accordance with all applicable state and local governmental laws, statutes and ordinances regulating such construction including, without limitation, building, fire, health and safety codes;
- b. A temporary or final Certificate of Occupancy issued by the applicable local governmental entity;

- c. Successful completion of the initial management training program by all managers, including without limitation, the Operations Director;
- d. Completed and executed Exhibits E and F attached to this Agreement;
- e. Full payment of all initial franchise fees, training fees and other outstanding amounts due to the Company; and
- f. A fully executed copy of Franchisee's lease for the Restaurant, inclusive of Exhibit G, attached to this Agreement.

5.5 Franchisee shall, at its sole expense, purchase all required signs, fixtures, furniture, POS systems, computer systems, smallwares and other equipment for the Restaurant and Accepted Site from a distributor listed on the Approved Brands and Distributors List (as defined below) or another distributor approved pursuant to Section 11.4. The Company will provide assistance with ordering processes and methods and initial parameters for Franchisee's POS program. The items purchased shall be installed in strict accordance with the specifications of the Company and erected and displayed in the manner and at such locations as are approved and authorized by the Company in writing. Franchisee shall maintain and display signs which meet the Company's then-current signage specifications and standards and shall not place additional signs at the Restaurant without the prior written consent of the Company. Franchisee shall discontinue the use of and remove, or modify, as applicable, such signs that are declared obsolete by the Company within thirty (30) days after Franchisee's receipt of the Company's written request, subject to reasonable extension if Franchisee is unable after using reasonable diligence to obtain required governmental approvals for modification of such signs. Proper signage is fundamental to the BYC System and Franchisee hereby grants to the Company the right to enter the Restaurant in order to remove and de-identify any unapproved or obsolete signs in the event Franchisee has failed to do so within the above-specified time frame.

5.6 Franchisee is solely responsible for the acts or omissions of its contractors, architects and other construction services and products providers (individually and collectively, "Contractors") regarding compliance with all of the provisions of this Section 5, and the Company shall have no responsibility for such acts or omissions. The Company shall not be liable for any loss or damage arising from the design or plan of the Restaurant by reason of its approval of plans and specifications, or otherwise. Franchisee shall indemnify the Company for any loss, cost or expense, including attorneys' fees, that may be sustained by the Company because of the acts or omissions of Franchisee's Contractors or arising out of the design, construction or remodeling of the Restaurant.

5.7 Franchisee shall give to the Company at least thirty (30) days' prior written notice of the anticipated Opening Date and shall comply with any then applicable opening-related procedures described in the Manuals or other written instruction from the Company, such as, but not limited to, "soft opening" and scheduling requirements and similar specifications. Franchisee shall not open the Restaurant to the public until it has the required written approval from the Company to open, as provided herein and in Section 5.4, above.

6. FEES, TAXES AND OTHER CHARGES

6.1 Franchisee agrees to pay to the Company the following as specified below:

a. If purchasing a single Restaurant, Franchisee will pay Forty-Five Thousand Dollars (\$45,000) which includes the Initial Franchise Fee of Twenty Thousand Dollars (\$20,000) and the Training and Pre-Opening Support Fee of Twenty-Five Thousand Dollars (\$25,000). Franchisee must pay this in full upon signing the Franchise Agreement and the Franchise Agreement must be signed within twenty-one (21) days of delivery of executable copies to the Franchisee.

If signing an Area Development Agreement, Franchisee will pay the Development Fees of Ten Thousand Dollars (\$10,000) multiplied by the number of Restaurants listed on the Development Schedule. Franchisee will additionally pay the Initial Franchise Fee of Ten Thousand Dollars (\$10,000) and the Training and Pre-Opening Fee of Fifteen Thousand Dollars (\$15,000) for the first Restaurant to be built under the Development Agreement.

Franchisee will sign a separate Franchise Agreement for each Restaurant listed on the Development Schedule and will sign the Franchise Agreement for the first Restaurant at the same time as signing the Area Development Agreement. The Development Fees collected at the time of signing the Area Development Agreement will be credited one-half (\$5,000) towards the Initial Franchise Fee and the remaining one-half (\$5,000) towards the Training and Pre-Opening Support Fee paid in connection with each Restaurant listed on the Development Schedule. All such payments shall be made by cashier's check or other form of payment acceptable to the Company. Franchisee hereby acknowledges and agrees that the grant of this franchise and the agreements of the Company contained in this Agreement constitute the sole and only consideration for the payment of the initial franchise fee and the initial franchise fee shall be fully earned by the Company upon execution of this Agreement. In that regard, upon the payment of any portion of the initial franchise fee, the entire initial franchise fee shall be deemed fully earned and non-refundable in consideration of the administrative and other expenses incurred by the Company in granting this franchise and for the Company's lost or deferred opportunity to franchise to others.

b. A monthly royalty fee in the sum of four percent (4%) of Franchisee's monthly Gross Sales (as defined below).

c. A Marketing Fund fee of one percent (1%) of Franchisee's monthly Gross Sales. This fee is payable in addition to local marketing requirements and grand opening-related expenditure requirements, as provided in Sections 8.2 and 8.4, below.

d. A Technology Fee for data and communication systems and/or other business purposes as determined by Franchisor (the "Technology Fee.") As of the Effective Date, the Technology Fee is One Hundred Dollars (\$100) per calendar month, but Franchisor can change the fee on thirty (30) days' written notice.

e. The amount of all sales taxes, use taxes and similar taxes imposed upon or required to be collected or paid by the Company on account of goods or services furnished to Franchisee by the Company, whether such goods or services are furnished by sale, lease or otherwise. Franchisee shall reimburse the Company for the invoice amount within seven (7) days after the invoice has been delivered to Franchisee pursuant to Section 24.3 of this Agreement.

6.2 Franchisee agrees to pay interest to the Company on any amounts which may become due to the Company from Franchisee, if such amounts are not paid when due, at the rate of fifteen percent (15%) per annum or the maximum interest rate permitted by law, whichever is less.

7. FINANCIAL REPORTING, BILLING AND PAYMENT

7.1 The term "**Gross Sales**" as used in this Agreement shall mean all revenues or things of value derived by Franchisee in and from the Restaurant from all sales of food, goods, wares, merchandise and all services made in, upon, or from the Restaurant, whether for cash, check, credit, barter or otherwise, without reserve or deduction for inability or failure to collect the same, including, without limitation, all revenues derived from delivery, catering, and special event sales, such sales and services where the orders therefore originate at and are accepted by Franchisee into the Restaurant but delivery or performance thereof is made from or at any other place, or other similar orders are received or billed at or from the Restaurant, and any sums or receipts derived from the sale of meals to employees of the Restaurant. Gross Sales shall not include rebates or refunds to customers; or the amount of any sales taxes or other similar taxes that Franchisee may be required to and does collect from customers to be paid to any federal, state or local taxing authority.

7.2 Franchisee shall deliver to the Company on or before the sixth (6th) calendar day after each month a monthly Gross Sales statement ("**Monthly Consolidated Sales Report**"), in the form specified by the Company, setting forth the amount of Gross Sales for the preceding month and a calculation of the monthly fees payable on such sales. Monthly fees, including royalty and advertising fees, shall be due and payable on the tenth (10th) day after the close of the sales month, which closing shall be designated by the Company in its sole discretion upon ten (10) days advance written notice to Franchisee. Franchisee shall make all payments due hereunder by one of the following forms of payment (the "**Forms of Payment**"): check, Electronic Funds Transfer ("**EFT**"), pre-arranged draft or debit of Franchisee's bank account. Franchisee will give the Company authorization (in the form attached as Exhibit "E") for direct debits from Franchisee's business bank operating account. The Company shall choose the Form of Payment in its sole discretion from time to time and shall provide written notice of any changes to Franchisee at least ten (10) business days prior to the effective date of the change.

If Franchisee is delinquent in any payment of such fees, or if Franchisee has not submitted the Monthly Consolidated Sales Report for more than a two-month period, the Company may, in its sole discretion initiate an EFT from Franchisee's business bank account an estimated amount of fees due the Company for such period which shall be based on the average of the immediately preceding three (3) months' Gross Sales. If, at any time, the Company determines that Franchisee has under-reported the monthly Gross Sales of the Restaurant, or underpaid the monthly royalty,

advertising fees, or other amounts due to the Company under this Agreement, or any other agreement, the Company may, in addition to exercising all other rights and remedies available to it under this Agreement, initiate an immediate transfer from the Account in the amount equal to the unpaid fees in accordance with the foregoing procedure, including interest as provided in Section 6.3 above. Any overpayment of fees will be credited to the Account effective as of the first Payment Date after the Company and Franchisee determine that such credit is due.

In connection with payment of the monthly royalty fee and advertising fee by EFT, Franchisee shall: (1) comply with procedures specified by the Company relating to EFT transfers; (2) perform those acts and sign and deliver those documents as may be necessary to accomplish payment by EFT as described in this Section 7.2; (3) give the Company an authorization in the form designated by the Company to initiate debit entries and/or credit correction entries to the Account for payments of the monthly royalty and advertising fees, or other amounts due to the Company under this Agreement, or any other agreement, including any interest charges; and (4) make sufficient funds available in the Account for withdrawal by EFT of fees due no later than each Payment Date.

7.3 In addition to the sales data required to be provided in the Monthly Consolidated Sales Report to be delivered pursuant to Section 7.2, Franchisee shall deliver (in the manner prescribed by the Company) to the Company on or before the tenth (10th) day after the end of each sales month during the term of this Agreement any other sales and menu mix data reasonably requested by the Company with respect to the preceding sales month, whether specified in the Manual or otherwise.

7.4 Thirty (30) days after the end of each calendar quarter and one hundred twenty (120) days after the end of each calendar year during the term of this Agreement, Franchisee shall provide to the Company a financial statement of the franchise business which shall include such information and data as specified in the financial reporting format reasonably approved by the Company. Such fiscal year-end financial statements must be signed by Franchisee, Franchisee's treasurer or Franchisee's chief financial officer and contain a representation that the financial statements present fairly the financial position of Franchisee and the results of operations of the franchise business during the period covered. Franchisee shall prepare and deliver to the Company upon request monthly, quarterly and/or annual profit and loss statements for the franchise business and provide such other financial reports and operating data in such form and format as the Company requests from time to time.

7.5 Franchisee agrees to make all payments when due to third parties for obligations arising out of or in any way connected with the existence, operation or maintenance of the Restaurant, including, but not limited to, rental and mortgage payments and payments for utilities, services, products, equipment, supplies, goods, inventory, materials, taxes, labor and other matters. In the event that Franchisee fails to make any such payment in accordance with the foregoing and the non-payment results or may reasonably result in a condition or event which threatens public safety or health or which may materially and adversely affect the ownership, condition or operation of the Restaurant, in either case in the reasonable judgment of the Company, the Company shall have the right, after five (5) days' written notice to Franchisee, but not the obligation, to make such payment on behalf of Franchisee. Such payment shall be without prejudice and in addition to all

other available rights and remedies. Any payment made by the Company pursuant to this Section 7.5 shall be paid by Franchisee to the Company as an additional amount for the monthly billing period in which such payment is made by the Company.

7.6 Franchisee shall maintain accurate and complete books and records pertaining to the operation and maintenance of the Restaurant as required by the standards, policies and procedures established by the Company in accordance with the Manual. Franchisee shall be solely responsible for performing all record keeping duties, and the cost for all such services shall be borne solely by Franchisee.

7.7 Franchisee shall obtain, install, and use the computer system that the Company requires or approves in writing. The term “**Computer System**” means communications, computer systems, and hardware to be used by the Restaurant, including (a) back office and point of sale systems, (b) cash register systems; (c) physical, electronic, and other security systems; (d) printers and other peripheral devices; (e) archival back-up systems; and (f) Internet access mode (for example, your telecommunications connection) and speed. In connection with the Computer System:

a. Franchisee must obtain, install, and use the computer software programs required by the Company (the “**Required Software**”). Franchisee must utilize any proprietary software program that the Company may develop internally or with the assistance of outside suppliers or consultants or that the Company may license for use by the BYC System.

b. The Company may modify specifications for and components of the Computer System and Required Software. The Computer System and Required Software must be purchased or leased from the Company or from suppliers approved by the Company, and must be installed by the Company or by suppliers approved by the Company at Franchisee’s expense. All Computer System components must be installed in accordance with the Company’s standards and procedures. The Company’s modification of specifications for the Computer System and Required Software may require Franchisee, at Franchisee’s expense, to purchase, lease, and/or license new or modified computer hardware and/or software and/or communications capabilities.

c. The Computer System is for use by Franchisee only in connection with operational and management tasks of the Restaurant. Franchisee may not use the Computer System for personal email, word processing, spreadsheets, web surfing, or any other personal application or purpose not approved in writing by the Company (“**Personal Applications**”). However, Franchisee may run such Personal Applications on a separate personal computer and network provided by Franchisee, but the personal computer and network must run in “stand alone, isolated mode” and Franchisee must not interconnect such computer(s) with the Computer System. The Company reserves the right require Franchisee to shut down Personal Applications interfaces if the Company determines that such interfaces interfere with the Computer System operations, or the operation of the Restaurant.

d. Franchisee shall comply with the then-current Payment Card Industry Data Security Standard and any revision to it adapted by the PCI Security Standards Council, LLC (the “PCI Council”) or any successor organization or standards the Company may specify. Franchisee shall implement enhancements and security requirements and other requirements established by the PCI Council for merchants accepting payment by credit or debit cards.

7.8 All of the accounts, books, records, financial statements, profit and loss statements, federal, state and local tax returns and other reports of Franchisee, so far as they pertain to the business transacted under this Agreement, shall be open to inspection, examination and audit by the Company and its authorized representatives at any and all times, and copies thereof may be made by the Company and retained for its own use. All of such records shall be maintained and retained by Franchisee for seven (7) years, and following the termination or expiration of this Agreement, the books and records for the preceding seven (7) years shall be maintained and retained by Franchisee for five (5) years. The Company may perform such auditing for the purpose of verifying the operating and financial data upon which the rents, fees and other charges payable to the Company hereunder are based. Any such inspection, examination and audit shall be at the Company's cost and expense unless the same is necessitated by Franchisee's failure to prepare and deliver the Monthly Consolidated Sales Report to the Company as required herein, or to maintain books and records as hereinabove provided, or unless any such report is determined to be in error to an extent of two percent (2%) or more or intentionally misrepresented. In any such event, the cost and expense for such inspection, examination and audit shall be borne and paid by Franchisee. Any such cost and expense shall be set forth in a written invoice delivered to Franchisee by the Company. Franchisee shall reimburse the Company for the invoice amount within seven (7) days after the invoice has been delivered to Franchisee pursuant to Section 24.3 of this Agreement. Notwithstanding the foregoing, if at any time any intentional understatement of gross sales is discovered, the Company may terminate this Agreement and any other agreement entered into with Franchisee, in addition to any other rights or remedies available to the Company under this Agreement, any other agreement with Franchisee or applicable law.

7.9 Franchisee shall sell or otherwise issue the stored value cards or gift cards (together “**Gift Cards**”) that have been prepared utilizing the standard form of Gift Card provided or designated by the Company, and only in the manner specified by the Company in the Manual or otherwise in writing. Franchisee shall fully honor all Gift Cards that are in the form provided or approved by the Company regardless of whether a Gift Card was issued by Franchisee or another Restaurant or purchased at any other location including without limitation, retail stores, Internet sales or other means of distribution. Franchisee shall sell, issue, and redeem (without any offset against any royalty fees) Gift Cards in accordance with procedures and policies specified by the Company in the Manual or otherwise in writing (the “**Gift Card Program**”), including those relating to procedures by which Franchisee shall request reimbursement for Gift Cards issued by other Restaurants and for making timely payment to the Company, other operators of Restaurants, or a third-party service provider for Gift Cards issued from the Restaurant that are honored by Franchisee, the Company or other Restaurant operators. Franchisee acknowledges and agrees that, in connection with the Gift Card Program, Franchisee may be required to:

a. Enter into a separate agreement with a third party provider of Gift Card services under the terms and conditions as may reasonably be required by such third party for

participation in the Gift Card Program;

b. Purchase and maintain a sufficient number of Gift Cards, as may reasonably be required for participation in the Gift Card Program;

c. Purchase or upgrade, as applicable, such hardware, software and equipment as shall be necessary to participate in the Gift Card Program;

d. Promote and sell the Gift Cards in Franchisee's Restaurants using only marketing methods and materials approved by the Company;

e. Comply in all material respects with all applicable laws, statutes and regulations in performing Franchisee's obligations under this Agreement and otherwise in connection with Franchisee's participation in the Gift Card Program; and

f. Execute such forms or documents or take such other actions reasonably necessary or requested by the Company to effectuate Franchisee's participation in the Gift Card Program.

Franchisee acknowledges and agrees that the Company reserves the right to discontinue or modify the Gift Card Program at any time, in its sole discretion. Upon receipt of written notice from the Company of its intent to discontinue or modify the Gift Card Program, Franchisee agrees, as applicable, to immediately cease offering and accepting Gift Cards or to make such modifications as the Company shall designate. Costs incurred by Franchisee in connection with Franchisee's compliance with the foregoing Gift Card Program provisions are in addition to any Marketing Fund fees, local marketing expenditure obligations or other amounts Franchisee may incur as provided in Section 8, below.

8. ADVERTISING AND MARKETING

8.1 Recognizing the value of marketing and advertising to the goodwill and public image of the BYC System, the Company administers funds for advertising, public relations, marketing research and promotion into which franchisees contribute the Marketing Fee of one percent (1%) of Gross Sales. Broken Yolk Cafe® restaurants owned and operated by the Company and the Company's Affiliate, BYC, Inc., may, but will not be obligated to, contribute Marketing Fees to the Marketing Fund on the same basis as franchisees within the same designated market area. The Company will have sole discretion over all matters relating to Marketing Fund operations and financial management. The Company can, but is not required to, keep contributions to the Marketing Fund in accounts separate from the Company's other funds. The Marketing Fund may be used as the Company considers appropriate, including for, but not limited to, costs of marketing surveys and research; employing public relations firms; developing and maintaining Internet website communications; preparing and producing video, audio and written marketing materials; buying Internet, TV, radio, magazine, billboard, newspaper and other media advertising; employing advertising agencies; providing or selling marketing materials to Broken Yolk Cafe® Restaurants; Restaurant openings and unit-specific promotions; and holding conventions and meetings for personnel of Broken Yolk Cafe® Restaurants. Franchisee must participate in all system-wide marketing programs. Failure to do so may cause Franchisee to be in default on its Franchise Agreement. The Company can compensate itself or any Affiliate for internal costs,

BYC Franchising, LLC

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including, but not limited to, applicable salary expenses incurred for internal production, research and creative services and other goods and services delivered by the Company or an Affiliate to the Marketing Fund. The Company may additionally allocate a portion of the Marketing Fund to reimburse the Company and any Affiliate for internal expenses (including an allocation of applicable employee salaries) incurred in the administration of the Marketing Fund, including accounting and record keeping costs and related overhead costs and other internal expenses incurred by the Company. A brief statement regarding the availability of franchises may be included in advertising and other items produced or disseminated using the Marketing Fund, but Marketing Fund contributions will not be used for the direct solicitation of franchise sales.

8.2 In addition to the Marketing Fee payable to the Marketing Fund, as described above, Franchisee shall expend at least two percent (2%) of Gross Sales monthly for the promotion and marketing of Franchisee's Restaurant in the local community. All marketing, in any format whatsoever, which has not been approved in writing by us in advance of its publication, is not permitted. We may approve or reject submissions of marketing materials in our sole discretion. Franchisee shall submit to the Company for the Company's prior approval, at least thirty (30) days prior to the beginning of each fiscal year, a marketing plan for Franchisee's Restaurant. If Franchisee is using materials not prepared by the Company and which vary from the Company's standard advertising and promotional materials, such materials must be submitted to the Company for approval no less than forty-five (45) days prior to the beginning of such promotion or program. The Company will review any materials submitted for the Company's approval within ten (10) business days of receipt of such materials. Franchisee shall not use any advertising or promotional materials that the Company has disapproved, or that the Company has not approved. You agree to follow all of our policies and procedures concerning your use of the Internet, social media or network pages or accounts, other electronic media, and any other means or media not otherwise specified in this Agreement whether that media now exists or may be developed in the future including its use in connection with your advertising, promotions, marketing, or other activities.

8.3 The Company may spend in any year an amount that is greater or less than the aggregate contributions made to the Marketing Fund by all Broken Yolk Cafe® Restaurants in that year. The Marketing Fund may borrow from the Company or other lenders to cover deficits in the Marketing Fund and repay these loans in the same or a subsequent fiscal year or cause the Marketing Fund to invest any surplus for future use. The Company does not act as a trustee or in any other fiduciary capacity with respect to the Marketing Fund. The Company can at its discretion defer, waive and/or compromise claims for contributions to, and/or claims against or with respect to, the Marketing Fund and take legal or other action against any franchisee in default of its obligations and/or deny it access to programs, materials and/or other benefits funded by the Marketing Fund. Franchisee acknowledges and agrees that the Company has no obligation to ensure that expenditures by the Marketing Fund are or will be proportionate or equivalent to contributions to the Marketing Fund by Restaurant franchisees operating in any geographic area, or that any Restaurant franchisee will benefit directly, indirectly or in proportion to its contribution to the Marketing Fund. The Company shall be under no obligation to use the Marketing Fund to advertise equally for all Restaurants, markets or franchise areas. All advertising fee contributions from Company-operated restaurants shall be deposited in the Marketing Fund. Franchisee shall participate in all Marketing Fund programs as required by the Company, including without limitation any then current discount or product promotions. Additionally, should Franchisee fail

to spend at least two percent (2%) of its Gross Sales annually in approved local marketing activities, as provided in Section 8.2, above, Franchisee shall be required to pay the unspent amount to the Company, which the Company shall deposit into the Marketing Fund. The Company shall be under no obligation to determine the incremental cost of franchise sales advertising of any Internet web sites established by the Company and funded in whole or in part by the Marketing Fund. Upon request by Franchisee and if Franchisee is in full compliance with the Franchise Agreement, the Company will provide Franchisee with an accounting of any Marketing Funds received and a generalized allocation of expenditures made by the Company with respect to the Marketing Fund during the previous fiscal year. This accounting will not be audited and will not be provided more than once annually.

8.4 In addition to advertising fees payable pursuant to Sections 6.1 and 8.2 of this Agreement, Franchisee shall expend Five Thousand Dollars (\$5,000) to conduct a grand opening advertising and promotion program for the Restaurant, utilizing advertising and promotional materials approved by the Company, in the manner specified in Section 8.2. Such grand opening advertising shall be conducted in accordance with an approved grand opening plan (which will cover advertising and promotion for the fifteen (15) days prior to the Opening Date and four (4) months following the Opening Date) which Franchisee prepares and submits to the Company for approval at least thirty (30) days prior to the anticipated Opening Date. Franchisee shall submit to the Company not later than fifteen (15) days following the conclusion of such grand opening promotion, written receipts and other evidence reasonably satisfactory to the Company evidencing all amounts spent by Franchisee to conduct said grand opening promotion.

9. INSURANCE AND INDEMNIFICATION

9.1 During the term hereof, Franchisee shall obtain and maintain insurance coverage with insurance carriers acceptable to the Company in accordance with the Company's current insurance requirements. The coverage shall commence when the Accepted Site is secured by Franchisee by executed deed or lease and shall comply with the requirements of Franchisee's lease, if any. Franchisee shall obtain and maintain in effect: (1) broad form comprehensive general liability coverage, and broad form contractual liability and advertising injury coverage of at least Two Million Dollars (\$2,000,000) aggregate and with any deductible or self-insured retention being no more than Ten Thousand Dollars (\$10,000); (2) worker's compensation insurance for the Restaurant employees in statutory amounts; (3) unemployment insurance covering Franchisee's employees; (4) business interruption insurance in sufficient amounts to cover rental of the Accepted Site, previous profit margins, maintenance of competent personnel and other fixed expenses; (5) state disability insurance for Franchisee's employees as required by law; (6) Employer Practices Liability Insurance or similar coverage alternatively named, involving employee-related claims in sufficient amounts in relation to the composition of Franchisee's staff, but in no event will coverage be less than One Million Dollars (\$1,000,000) per occurrence; and (7) any other insurance required by law. Franchisee shall also carry fire and extended coverage insurance, with endorsements for vandalism and malicious mischief, covering the building, structures, equipment, improvements and the contents thereof in and at the Restaurant, on a full replacement cost basis, insuring against all risks of direct physical loss except for unusual perils such as nuclear attack, earth movement and war. In connection with, and prior to, commencing any construction, reimage or remodeling of the Restaurant, Franchisee shall maintain builder's risk

insurance and performance and completion bonds in forms and amounts, and written by a carrier or carriers, acceptable to the Company. As proof of such insurance, a certificate of insurance shall be submitted by Franchisee for the Company's approval prior to Franchisee's commencement of any activities or services to be performed under this Agreement. Franchisee shall deliver a complete copy of Franchisee's then-prevailing policies of insurance to the Company within thirty (30) days following the delivery of the certificate of insurance.

9.2 The Company shall be named as an additional insured on all of such policies referenced in Section 9.1 above to the extent of its interests and shall be provided with certificates of insurance evidencing such coverage prior to the Opening Date and promptly following the date any policy of insurance is renewed, modified or replaced during the term of this Agreement. All coverages shall be placed with an insurer with a rating of A+ or better from Best's™. All public liability and property damage policies shall contain a provision that the Company, although named as an additional insured, shall nevertheless be entitled to recover under such policies on any loss occasioned to it, its Affiliates, officers, agents and employees by reason of the negligence of the Company, the Franchisee, or their respective principals, contractors, agents or employees. All policies shall extend to and provide indemnity for all obligations assumed by Franchisee hereunder and all other items for which Franchisee is required to indemnify the Company under the provisions of this Agreement, whether or not the liability arose from the negligence of the Company, its principals, contractors, agents or employees, and shall provide the Company with at least thirty (30) days' prior written notice of cancellation, termination or material reduction of coverage. The Company reserves the right to specify reasonable changes (which may include increases) in the types and amounts of insurance coverage required by this Section 9. Should Franchisee fail or refuse to procure the required insurance coverage from an insurance carrier acceptable to the Company or to maintain it throughout the term of this franchise, the Company may in its discretion, but without any obligation to do so, obtain such coverage for Franchisee, in which event Franchisee agrees to pay the required premiums or to reimburse the Company therefore. The amount of such premiums shall be set forth in a written invoice delivered to Franchisee by the Company. Franchisee shall reimburse the Company for the invoice amount within seven (7) days after the invoice has been delivered to Franchisee pursuant to Section 24.3 of this Agreement. Failure to maintain the required insurance or to promptly reimburse the Company for any premiums paid on behalf of the Franchisee by the Company shall constitute a default hereunder.

9.3 Franchisee agrees to defend at its own cost and with counsel of the Company's choosing, to indemnify and to hold harmless the Company, its subsidiaries, parent and Affiliates, members, shareholders, managers, directors, officers, employees and agents (each an "Indemnatee") from and against any and all loss, costs, expenses (including attorneys' fees), damages and liabilities, however caused, resulting directly or indirectly from or pertaining to the use, condition, construction, equipment, decorating, maintenance or operation of the Restaurant, and including the preparation and sale of any product made in or sold from the Restaurant, and including any labor or other employee related claims of any kind including, without limitation, any claims made by an employee of Franchisee resulting from the employee's training in a Company operated facility or restaurant, and including Franchisee's failure for any reason to fully inform any third party of Franchisee's lack of authority to bind the Company for any purpose. Such loss, claims, costs, expenses, damages and liabilities shall include, without limitation, those arising from latent

or other defects in the Restaurant, whether or not discoverable by the Company, and those arising from the death of or injury to any person or arising from damage to the property of Franchisee or the Company, their agents or employees, or any third person or Entity, whether or not such losses, claims, costs, expenses, damages or liabilities resulted from any strict liability imposed on the Company or any of its officers, agents or employees. Franchisee acknowledges that Franchisee's obligations to each Indemnitee hereunder expressly apply to claims from persons employed by or providing services to Franchisee involving allegations of a violation the Fair Labor Standards Act, the Occupational Safety and Health Act, any state workers' compensation act, any state unemployment compensation benefit law or regulation, or any other federal, state or local employment or employee benefit law or regulation, and regardless of the basis of the alleged liability, whether joint employer, ostensible agency, vicarious liability or otherwise. The Company will have the right to control all litigation to which it is a party and to defend and/or settle any claim in such manner as the Company considers appropriate, without affecting the Company's or each Indemnitee's rights under this indemnity. Franchisee acknowledges that this obligation to indemnify and reimburse each Indemnitee for costs and expenses, as described above, applies to any action or proceeding or legal matter of any kind in which one or more Indemnites is/are named or involved and which also involves this Agreement and/or Franchisee's Franchised Business, including any administrative actions or investigations and appellate, post judgment or bankruptcy proceedings. All amounts payable by Franchisee under this Section 9.3 are due upon demand. Franchisee is entitled to appoint separate independent counsel to represent Franchisee's interests in such suits, proceedings, or claims, all at Franchisee's expense. Notwithstanding the foregoing, Franchisee shall not be responsible to an Indemnitee for any loss, claim, cost, expense, damage or liability which arises solely as a result of the intentional misconduct or gross negligence of such Indemnitee.

10. VENDING MACHINES

Franchisee agrees that no cigarette machine, video game machine, juke box, public telephone or other type of vending machine or device, whether or not coin operated, shall be installed in the Restaurant, or on its premises, without the written approval of the Company.

11. COMPLIANCE WITH MANUAL AND WITH SYSTEM STANDARDS

11.1 Franchisee acknowledges and agrees that strict and continued adherence by Franchisee to all aspects of the BYC System, as set forth in this Section 11, is expressly made a condition of this Agreement, so that failure on the part of Franchisee to so perform will be grounds for termination of this Agreement as provided in Section 18 hereof. Franchisee acknowledges that changes, modifications, deletions and additions to the standards, specifications, procedures and menu items comprising the BYC System may be necessary and desirable from time to time. The Company may make such modifications, revisions, deletions and additions, including without limitation modifications, revisions, deletions and additions to the Manual and to the menu items required to be offered by Franchisee, which the Company, in good faith and exercising its judgment, believes to be desirable and reasonably necessary. Franchisee agrees to comply with any such modification, revision, deletion or addition as of the date that such modification, revision, deletion or addition becomes effective. Franchisee acknowledges that it shall receive one (1) copy of the Manual per Franchisee on loan from the Company and that the Manual shall at all times remain the sole

property of the Company. Franchisee understands that the Company has entered into this Agreement in reliance upon Franchisee's representation that it will strictly comply with all the mandatory provisions of the Manual. For purposes of this Agreement, the Manual shall be deemed to include all written directions delivered to Franchisee by the Company from time to time setting forth standards, specifications and procedures for the operation of the Restaurant. For avoidance of doubt, neither the System standards nor any Manual shall mandate personnel policies or procedures for Franchisee to establish in Franchisee's Restaurant, including those relating to hiring, firing, discipline, wages, scheduling and other terms and conditions of employment for Franchisee's employees and contractors. Franchisee is solely responsible for establishing such policies and procedures, for managing and supervising Franchisee's staff and for compliance with wage and hours laws, workers' compensation laws and other laws and regulations relating to Franchisee's employees and their employment.

11.2 Franchisee agrees that it is in the best interest of the business conducted at the Restaurant to prepare and serve food in the Restaurant only from Approved Suppliers, Distributors or Manufacturers and using ingredients which meet the product specifications as communicated by the Company to Franchisee from time to time (the "**Specifications**"), and Franchisee further agrees that all products, equipment, goods, inventory and supplies used in connection with the Restaurant will comply with the Specifications. Furthermore, Franchisee shall not offer, display or sell any product, service, merchandise or other item at the Restaurant except those approved in writing by the Company.

- a. All menu items shall be made in strict compliance with the Company's written recipes and requirements, which the Company may change from time to time by amendments to the Manual.
- b. All non-food products, including merchandise bearing the Marks shall be purchased from the Company or its Approved Suppliers, Distributors or Manufacturers and shall comply with requirements set by the Company.
- c. All food and paper products and supplies shall be purchased from the Company or its Approved Suppliers, Distributors or Manufacturers.
- d. Franchisee must comply with and adopt all new technology and systems we direct, including systems for on- and off-premise dining and ordering, online ordering, catering, third-party food delivery, gift cards and loyalty programs, facilities management, secret shopping and others, for Franchisee's Restaurants, at Franchisee's sole costs and expense. Franchisee must participate in on- and off-premises catering and other events that are required by Franchisor.

11.3 THIS SECTION INTENTIONALLY OMITTED

11.4 Franchisee acknowledges that it has received a copy of the Company's list of approved suppliers and distributors (the "**Approved Suppliers, Distributors and Manufacturers List**"). The Company has consulted with the distributors set forth on such list and each distributor has agreed to offer products, equipment, goods, inventory, supplies, technology and software or paper

products which will comply with the Specifications. Except for the Company's merchandise bearing the Marks which must be purchased from the Company or its Approved Supplier, Manufacturer or Distributor, if Franchisee desires to purchase any products from any supplier, manufacturer or distributor not named on the Approved Suppliers, Distributors and Manufacturers List, it must first obtain the consent of the Company, which consent may be granted or denied in the Company's sole discretion and Franchisee shall first submit to the Company a written request for approval of any such supplier or distributor prior to Franchisee's use of any such supplier or distributor. The Company shall have the right to require that its representatives be permitted to inspect the supplier's or distributor's facilities and that samples from the supplier or distributor be delivered either to the Company or to an independent laboratory designated by the Company for testing. Upon completion of the Company's inspection and/or evaluation of the proposed supplier or distributor (or samples provided by such distributor), and upon submission of any additional information or data required by the Company, the Company shall approve or reject such proposed supplier or distributor in its sole discretion within ninety (90) to one hundred eighty (180) days of Franchisee's proposal. The Company reserves the right, at its option, to re-inspect the facilities and products of any such approved supplier or distributor or of any supplier or distributor on the Company's Approved Suppliers, Distributors and Manufacturers List and to revoke its approval upon the supplier or distributor's failure to continue to meet any of the Company's then-current Specifications and criteria. Nothing in the foregoing shall require the Company to approve any supplier or distributor. The Company agrees to evaluate any item which Franchisee is considering procuring to determine whether such item complies with the Specifications. No charge shall be made by the Company for the services of the Company's employees in connection with such evaluation; however, Franchisee shall reimburse the Company for its reasonable cost and expenses paid to independent laboratories or consultants chosen by the Company in its sole discretion to assist in such evaluation. All such amounts shall be set forth in a written invoice delivered to Franchisee by the Company. Franchisee shall reimburse the Company for the invoice amount within seven (7) days after the invoice has been delivered to Franchisee pursuant to Section 24.3 of this Agreement. The Approved Suppliers, Distributors and Manufacturers List and any guide containing such list are proprietary information of the Company and must be kept strictly confidential by Franchisee. Neither Franchisee nor any Franchisee Affiliate shall copy, distribute, release or otherwise provide any third party with all or any part of the information contained in the Approved Suppliers, Distributors and Manufacturers List or guide without first obtaining the prior written approval of the Company, which approval may be withheld in the Company's sole discretion. Notwithstanding any other provision of this Section, the Company expressly reserves the right to designate a supplier as an exclusive supplier of specified products and services, to concentrate purchases with one or more suppliers and to receive payments from suppliers for selecting them as organization suppliers or for allowing them to sell licensed products. Company and its Affiliates also reserve the right to derive profits and to receive discounts, commissions, rebates, promotional allowances and other economic benefits as a result of purchases by franchisees of products and services from the Company, its Affiliates or from any other supplier. Company and its Affiliates each may be party to agreements with suppliers that provide for marketing or promotional rebates or allowances, volume discounts or other economic benefits. Any rebates, discounts, allowances, profits, mark ups or other benefits earned under these agreements or otherwise as a result of franchisees' purchases of that supplier's products or otherwise may be kept and used by the Company or its Affiliates in its/their sole discretion, as applicable. Company and each of its Affiliates can be an Approved Supplier/Distributor or exclusive supplier of specific

products and services to be purchased by franchisees. Franchisee acknowledges and agrees that the Company and any applicable Affiliate will earn a profit in connection with their respective sales of products and services to franchisees and have no obligation to remit any portion of their receipts to Franchisee.

11.5 As uniformity of appearance and public recognition are important to the financial success of Franchisee and the Company hereunder, Franchisee agrees that in connection with the operation of the Restaurant, Franchisee shall:

- a. Use only uniforms, menus boards, signs, cards, artwork and posters, notices, displays, decorations, table tents and other such advertising and decor materials which are identical in appearance and quality to those furnished or approved by the Company or its Approved Supplier. The Company may make available its menu stock (pre-printed as to all matters other than menu prices), including specials and featured items, to Franchisee for printing in the event that Franchisee elects to charge prices not provided for in the Company's menu codes. Franchisee agrees that all specials or featured items designated by the Company shall be included as part of the menu and shall be made available on the days and times designated by the Company;
- b. Not authorize or permit in the Restaurant, or on behalf of the Restaurant, any advertising, signs, cards, posters, artwork, notices, displays, decorations or table tents other than those described in Subparagraph 11.5.a, nor authorize or permit in or around the Restaurant any products or services which are not authorized by the Company, without the prior written consent of the Company; and
- c. Not lease, sublease or use any part of the Restaurant for any purpose or brand except that of operating a Broken Yolk Café without obtaining the prior written consent of the Company.

12. **RESTAURANT MAINTENANCE AND REPAIR**

12.1 Maintenance and repair of the Restaurant are the sole responsibility, and shall be done at the expense, of Franchisee. For the term of this Agreement, Franchisee, at its sole cost and expense, shall maintain the Restaurant and the Accepted Site, including, but not limited to, the Restaurant building, the Accepted Site and parking lot, equipment, decor, furnishings, fixtures, wares, utensils, supplies, and inventory, in good working order and condition and in compliance with all laws. Franchisee shall make all repairs within thirty (30) days of the date such repairs are identified by the Company as needed to bring the Restaurant into a first-class condition. Franchisee shall replace any of the Restaurant's equipment, furnishings and fixtures and repaint or recarpet the Restaurant as necessary to satisfy this Section 12. Without limiting the generality of the foregoing, upon notice from the Company of any change required or recommended by applicable law, rule or regulation, or if the Company discovers any circumstance which is or may result in a danger to public health, Franchisee shall promptly, remove, repair, replace or modify any equipment or fixtures used in the Restaurant necessary to satisfy or rectify the same. All replacement equipment, furnishings and fixtures shall comply with the Company's then-current requirements and specifications. Items of maintenance covered by this Section 12.1 include, but

are not limited to, HVAC equipment, plumbing system and hot water heater, electrical system, equipment, furniture, POS equipment, audio/visual equipment, interior finishes, signs, roofing, exterior surfaces and painting, landscaping, sidewalks, curbs, street aprons, dumpster area, parking lot surfaces, including striping, lighting, carpet, furniture, general and routine maintenance, and refreshing. Items of maintenance will not be considered within the scope of remodeling required under Section 12.3 below.

12.2 Franchisee agrees that it shall not make any addition to or change in the physical appearance, decor, characteristics or style of the Restaurant without the prior written consent of the Company.

12.3 During the term of this Agreement, the Company may require Franchisee, at Franchisee's expense, to remodel the Restaurant, as the condition of the building may require, to then-current Broken Yolk Cafe® standards, format, design and image, as designated pursuant to plans and specifications provided by the Company; provided, however, Franchisee shall not be required to undertake such remodeling more than once every seven (7) years during the term of this Agreement, except if such remodeling is required in connection with a transfer of the Restaurant under Section 17.4c of this Agreement.

12.4 All signs to be used in connection with the Restaurant, both exterior and interior, must conform to the Company's sign criteria as to type, color, design and location and be approved in writing by the Company prior to installation or display. Franchisee shall change its signs to conform to updated or revised requirements of the Company at such times as Franchisee is required to perform remodeling work pursuant to Section 12.3.

12.5 Franchisee shall at all times conduct Franchisee's business under this Agreement and operate its Restaurant as a clean, safe, sanitary, orderly, legal and respectable place of business in accordance with the Manual, the lease or sublease, if any, for the Accepted Site and all applicable federal, state or local laws, rules, and regulations. Franchisee shall not cause or allow any part of its Accepted Site to be used for any immoral or illegal purpose. While the Company may from time to time provide information about various laws, regulations and ordinances and safety or legal guidelines, Franchisee is solely responsible for identifying and complying with all such laws, regulations and ordinances applicable to the Restaurant and its operation, including without limitation and to the extent applicable, the Fair Labor Standards Act, the Occupational Safety and Health Act, any state wage and hour or workers' compensation act, any state unemployment compensation benefit law or regulation, or any other federal, state or local employment-related or employee benefit law or regulation.

13. HOURS OF OPERATION

13.1 Franchisee agrees to keep the Restaurant fully operational and open to the public upon such days and during such minimum number of hours as the Company shall prescribe from time to time throughout the term of this Agreement in accordance with the Manual. In the event that the Restaurant is closed for reasons beyond Franchisee's control, Franchisee will immediately notify the Company by the fastest means available. Franchisee shall supply to the Company prior to the commencement of the construction or remodeling work of the Restaurant proof that the Restaurant

is allowed to be open to the public during such required hours and days by the applicable local governmental authorities and the landlord under the lease for the Accepted Site, if any.

14. MANAGEMENT RESPONSIBILITIES

14.1 Franchisee agrees to hire, train and supervise Restaurant employees in accordance with the applicable provisions of the Manual. Franchisee shall do everything necessary to ensure that all employees are, at all times during employment in the Restaurant, neat, clean and adequately trained and supervised in connection with the performance of their duties. Franchisee shall also ensure that employees, in the performance of their duties, wear neat, clean and uniform attire as required by the Company in accordance with the Manual.

14.2 Franchisee acknowledges that adequate training and supervision are necessary in order to ensure that the Restaurant personnel provide service to the public in a courteous, efficient and skilled manner and in accordance with the standards set forth in the Manual. Franchisee understands and agrees that Franchisee is solely responsible for the performance of its Operations Director and all other of its employees and that the acts and omissions of such employees which are inconsistent with the provisions of this Agreement shall be considered grounds for termination of this Agreement as provided in Section 18 hereof.

14.3 Franchisee agrees to maintain wages, hours, working conditions and other benefits for all of its employees in accordance with all federal, state and local laws and regulations. The Company is not and shall not be construed to be a joint employer with Franchisee as to Franchisee's employees and contractors. Franchisee has sole control over hiring, firing, discipline, wages, scheduling, benefits and other employment terms and conditions of Franchisee's employees and contractors.

14.4 Franchisee agrees to maintain all employee time, payroll and tax records and to file required reports thereon in accordance with all federal, state and local laws and regulations.

14.5 It is mutually understood and agreed by the parties that Franchisee retains the responsibility and independent authority, notwithstanding any provision of this Agreement, to maintain and enforce personnel policies and procedures, including, but not limited to, hiring, firing and disciplining its employees. Nothing contained in this Agreement shall be construed or interpreted so that any employee of Franchisee becomes or is deemed to be an employee or agent of the Company. Franchisee shall be solely responsible for the maintenance and handling of all employee matters in the manner required by this Section 14, and Franchisee agrees to indemnify and hold the Company and its Affiliates and subsidiaries harmless from any claims, losses, or liabilities resulting from any failure by Franchisee to act in such a manner.

15. INSPECTIONS

15.1 In order to maintain the high standards of quality necessary for the mutual success of the Company and Franchisee hereunder, the Company and its authorized representatives shall have the right to inspect the Restaurant and the supplies and inventory of Franchisee. The Company's personnel and representatives shall have the right to enter the Restaurant at any reasonable time,

and from time to time, with or without notice, for the purposes of examination, conferences with Franchisee, observation and evaluation of the operations being conducted at the Restaurant, and for all other purposes in connection with a determination that the Restaurant is being operated in accordance with the terms of this Agreement, the Specifications and Manual and other applicable laws and regulations.

15.2 The Company may conduct a quality control and evaluation program (including a “mystery shopper” program or “accuracy guarantee” program or other similar programs) to measure and evaluate customer satisfaction and feedback from the products and services offered at the Restaurant. Franchisee agrees to participate in such program(s), as required by the Company. Franchisee acknowledges that the Company shall have the right, in any manner the Company may deem appropriate, to publish or disclose to other franchisees under the Broken Yolk Cafe® System, or to third parties outside the Broken Yolk Cafe® System on an anonymous basis, any information that is collected, produced or maintained under any program(s) implemented pursuant to this Section 15.2.

15.3 In connection with inspections conducted pursuant to Sections 15.1 and 15.2 above, the Company and its authorized representatives may deliver to Franchisee an inspection report in such form(s) as may be adopted by the Company from time to time (the “**Inspection Report(s)**”). The Inspection Report(s) shall indicate the principal items inspected, observed and evaluated.

15.4 In the event that any such Inspection Report indicates a deficiency or unsatisfactory condition with respect to any item listed thereon, Franchisee shall promptly commence to correct or repair such deficiency or unsatisfactory condition and thereafter diligently pursue the same to completion and in compliance with Section 12.1, above. In the event of a failure by Franchisee to comply with the foregoing obligation to correct or repair, the Company, in addition to all other available rights and remedies, including the right to terminate this Agreement pursuant to Section 18 below, shall have the right, but not the obligation, to forthwith make or cause to be made such correction or repair, and the expenses thereof, including, without limitation, meals, lodging, wages and transportation for the Company's personnel, if so utilized in the Company's sole discretion, shall be reimbursed by Franchisee. All such expenses incurred by the Company pursuant to this Section shall be set forth in a written invoice delivered to Franchisee by the Company. Franchisee shall reimburse the Company for the invoice amount within seven (7) days after the invoice has been delivered to Franchisee pursuant to Section 23.3 of this Agreement.

16. **TRAINING**

16.1 The Company and Franchisee agree that it is important to the operation of the Restaurant that Franchisee and key supervisory staff we specify to receive such training as the Company may require from time to time. All training shall be conducted at such location(s) and for such period of time as the Company selects, in its sole discretion. In that regard, Franchisee agrees as follows:

- a. The Restaurant shall be managed by not less than four (4) managers (inclusive of the Operations Director) who have successfully completed the management training program and have received the ServSafe® certification and who will assume responsibility for the day-to-day management of the operations of the restaurant, including the

preparation of food products, accounting and the supervision and training of personnel. All managers must complete the management training program before the Restaurant can open for business.

b. Every shift must have a manager in charge who has successfully completed the Company's management training program and is ServSafe® certified.

c. An Operations Director must be appointed at each Restaurant, must be actively engaged in the management and day-to-day Restaurant operations and must devote full time and best efforts to the supervision of the Restaurant. Each Operations Director must have successfully completed the Company's management training program and be ServSafe® certified. The position of Operations Director will be filled by an individual with an equity interest in the franchise business. If none of the equity owners in the franchise business has restaurant or retail management experience satisfactory to the Company, the Company may elect in its sole discretion to allow a non-equity owner to serve as Operations Director, provided that the non-equity owner has in the Company's view adequate restaurant or retail management experience. If such an exception is made, an equity owner in the franchise business must also complete Company's management training program. At least one equity owner must at all times have completed the Company's management training program.

d. If at any time, for any reason, the Operations Director no longer performs such duties on behalf of the Restaurant(s) as are described above, Franchisee must promptly replace such Operations Director as provided in Section 16.1 e., below, with an individual meeting the qualifications described in Section 16.1 c., above. Franchisee must also comply with any applicable assignment provisions if the change in Operations Director results in a change in the equity ownership of the Restaurant, as provided in Section 17, below.

e. If Franchisee is required to replace a manager, including an Operations Director, Franchisee must 1) designate a replacement within 30 days of the original manager's/Operations Director's departure, 2) ensure that the replacement already has completed the Company's management training program or completes it at a location the Company selects within 60 days of being designated the replacement, and 3) pay any applicable training fee for the new manager's/Operations Director's training.

f. Each manager shall be required to sign a confidentiality agreement in a form satisfactory to the Company.

g. Franchisee shall implement a training program for Franchisee's employees in accordance with training standards and procedures prescribed by the Company and shall staff the Restaurant at all times during the term of this Agreement with a sufficient number of trained employees. Based in part upon the size and seating capacity of Franchisee's Restaurant, a Customer Service/Brand Standards & Requirements template will be provided to Franchisee in connection with Franchisee's training. The template will include recommendations.

h. The Company may provide continuing operations training for applicable management personnel from time to time to reinforce operational standards and new product introductions. The required frequency, duration, subject matter and required attendees shall be as determined by the Company from time to time.

i. In addition to the initial management training session described above, the Company will provide, at no additional cost to Franchisee, Broken Yolk Cafe® personnel to work with Franchisee's managers in Franchisee's Restaurant in connection the initial opening of the Restaurant for one (1) week before and one (1) week after the Restaurant opens to the public. The Restaurant shall not be opened until the Company is satisfied that Franchisee and Franchisee's managers have been adequately trained in the Broken Yolk Cafe® System and have, in turn, adequately trained their other Restaurant personnel. If Franchisee is required to send any staff member to a remedial training class, Franchisee will be charged a fee for that attendee's participation and materials.

j. We offer a 1-week "Executive Training" course for equity owners who will not be involved in the day-to-day Restaurant operations. At least one equity owner must attend and complete the Executive Training before you open your first Restaurant. This training is included in the Initial Franchise Fee and is open to all of Franchisee's equity owners. Any equity owner who attends our Executive Training is not counted toward the five (5) trainee maximum allowed as part of your Initial Franchise Fee. This training is currently held at the Broken Yolk Café at 1851 Garnet Avenue in San Diego, California and is led by the Trainers noted above. The Executive Training will provide a condensed version of the basic subject matter covered in our initial training program. This must be completed before you open your 1st Restaurant.

k. In the future, we anticipate certifying geographically dispersed franchised Restaurants as training Restaurants as long as our criteria for certification is met and maintained at the training Restaurants. Participation as a certified training Restaurant will be subject to the policies and requirements specified by us from time to time.

16.2 During the term of this Agreement, if the Company is required to train more than five (5) total program attendees for Franchisee's Restaurant, Franchisee will be required to pay a training fee of One Thousand Dollars (\$1,000) per attendee trained in excess of the first five (5). Franchisee understands and agrees that Franchisee and any trainee shall be solely responsible for any and all costs incurred by them with respect to such training, including costs for compensation, wages (including compensation of and worker's compensation insurance), lodging, travel expenses or any other expenses incurred in connection with any initial training sessions, the management training program, refresher courses or optional or required training programs, and any such trainee shall not be considered an employee or agent of the Company.

16.3 Approximately 4 weeks prior to Franchisee's anticipated opening date, Company will send an operations manager to Franchisee's restaurant to assess whether the restaurant is likely to be ready for opening on the projected opening date. If the restaurant is likely to be ready, Company will approve the projected opening date and schedule the training team to arrive approximately 10

days prior to the projected opening date. For the first 3 days, the training team will assist with final set up and training will start 7 days prior to the anticipated opening date. If, in the operations manager's opinion, the restaurant is not likely to be ready by the projected opening date, Company will provide a list of outstanding items that must be completed. Once those items have been completed to Company's satisfaction, Company will determine a new projecting opening date and schedule the training team to arrive 10 days in advance of that date.

17. ASSIGNMENT

17.1 Assignment by the Company. The Company shall have the right to assign or transfer in its sole discretion and without Franchisee's consent any or all of its assets, including the right to transfer or assign any of its rights or delegate any of its obligations under this Agreement in whole or in part to any person, firm or corporation; provided, however, that with respect to any assignment resulting in the subsequent performance by the assignee of the obligations of the Company hereunder:

- a. The assignee shall expressly assume and agree to perform such obligations of the Company in writing; and
- b. From and after the date of any such assignment, the Company shall have no further obligation or liability under this Agreement.

17.2 Assignment by Franchisee. The rights and duties created by this Agreement are personal to Franchisee. Franchisee acknowledges that the Company has entered into this Agreement in reliance on the individual or collective character, skill, aptitude, business ability, and financial capacity of Franchisee and its owners. Franchisee and each owner of an interest in this Agreement represent, warrant, and agree that all "Interests" in the Franchisee are owned in the amount and manner in which Franchisee has disclosed them to the Company, as more particularly set forth in Schedule 1 to this Agreement. (An "**Interest**" means any shares or partnership or membership interests in the Franchisee and any other legal or equitable right in any of Franchisee's stock, revenues, profits, rights or assets. When referring to the Franchisee's rights or assets, an "**Interest**" also includes this Agreement and the Franchisee's rights under and interest in this Agreement, the Restaurant and the revenues, profits or assets of the Restaurant). Franchisee and each owner also represent, warrant and agree that no change will be made in the ownership of an Interest other than as permitted by this Agreement or as the Company may otherwise approve in writing. Franchisee and each owner agree to furnish the Company with evidence as the Company may request from time to time to assure that the Interests of the Franchisee and each owner remain as permitted by this Agreement, including a list of all persons or entities owning any Interest.

No Interest may be directly or indirectly, sold, transferred, assigned, conveyed, gifted, pledged, mortgaged, or otherwise encumbered without the Company's prior written approval ("**Assignment**"). Any such purported Assignment occurring by operation of law or otherwise without the Company's prior written consent shall constitute a default of this Agreement by Franchisee, and shall be null and void. Except in the instance of Franchisee advertising to sell its Restaurant and assign this Agreement in accordance with the terms thereof, Franchisee shall not, without the Company's prior written consent, offer for sale or transfer at public or private auction

or advertise publicly for sale or transfer, the furnishings, interior and exterior décor, items, supplies, fixtures, equipment, Franchisee's lease or the real or personal property used in connection with the Restaurant. This Agreement may not be transferred by Franchisee to a publicly-held entity, or to any entity whose direct or indirect parent's securities are publicly traded and no shares of Franchisee or any direct or indirect owner of Franchisee may be offered for sale through the public offering of securities.

17.3 In the event that Franchisee desires to assign all or any part of its rights, privileges and interests under this Agreement, Franchisee shall first offer such Assignment to the Company by notifying the Company in writing of the material terms and conditions (including price and identity of transferee) upon which Franchisee would be willing to make such an Assignment and shall comply with such notice requirements as are provided under applicable law. Franchisee shall also concurrently provide the Company with the estoppel certificate identified in Section 17.5 below and such other information as needed by the Company to enable the Company to evaluate the offer. The Company shall have the first right, but not the obligation, to acquire said rights, privileges and interests of Franchisee by accepting the offer in accordance with said terms and conditions or equivalent cash, as determined by the Company in its reasonable business judgment. If, within thirty (30) days after receipt of Franchisee's notice, the Company advises Franchisee of its acceptance of the offer as stated in the notice, Franchisee agrees to promptly make the Assignment to the Company on the stated terms and conditions. Should the Company elect to exercise its right of first refusal, Franchisee shall, if requested by the Company, cause Franchisee's lease or sublease, if any, with the lessor for the Accepted Site to be assigned to the Company. Notwithstanding the foregoing, the Company shall have at least sixty (60) days from the date of its notice of exercise to Franchisee to close the transaction and the Company shall also be entitled to all customary and reasonable representations and warranties from Franchisee regarding the Restaurant.

17.4 If, within thirty (30) days after receipt of Franchisee's notice, the Company does not indicate its acceptance of the offer as stated in the notice, Franchisee shall thereafter have the right, subject to the prior written consent of the Company, to make the Assignment to the proposed transferee on the same terms and conditions as stated in the notice. Should the Company not exercise its right of first refusal and should the contemplated Assignment not be completed within one hundred twenty (120) days from the date of Franchisee's notice, or should the terms and conditions thereof (including the proposed transferee or the ownership therein) be altered in any material way, this right of first refusal shall be reinstated and any such subsequent proposed Assignment or altered terms and conditions of the current transaction must again be offered to the Company in accordance with the terms of these Sections 17.3 and 17.4. Franchisee shall notify the Company in writing of any proposed assignee, shall comply with all applicable document and notice requirements under applicable state law relating to the proposed transfer, and shall promptly furnish the Company with such other information and documentation as the Company may request for the purpose of considering whether to grant its written consent. Franchisee acknowledges and agrees that the Company shall be entitled, at its election and without liability to Franchisee, to provide assignee with information relating to the Restaurant, including information in the Company's possession relating to operations and sales. The Company shall not unreasonably withhold its consent to an Assignment provided that the Franchisee and the assignee satisfy such

reasonable terms and conditions which may be imposed by the Company as a condition to obtaining the Company's consent, which may include, without limitation, the following:

a. The assignee (and its partners or the officers, directors, principal shareholders, managers or members of the assignee, as the case may be) shall be determined by the Company:

i. To have the appropriate business qualifications, experience, reputation, character, and aptitude necessary to operate and maintain the Restaurant;

ii. To have the ability to devote full-time and best efforts to operating and maintaining the Restaurant;

iii. To be financially responsible, possess a favorable credit rating, be economically capable of carrying on the Restaurant business and have sufficient net worth as required by the Company for new franchisees;

iv. To not have been convicted of a felony, other criminal misconduct, any offense involving moral turpitude or that is relevant to the operation of the Restaurant;

v. To neither directly nor indirectly own, operate, control or have any financial interest in any other business which would constitute a "**Competitive Business**" (as such term is defined in Section 21.7 of this Agreement); and

vi. Shall have demonstrated to the Company's satisfaction that assignee meets all of the Company's then-current requirements for new Broken Yolk Cafe® franchisees, which requirements are subject to change by the Company from time to time in its sole discretion.

b. At the election of the Company, the assignee shall either expressly assume in writing, for the benefit of and in form and substance satisfactory to the Company, all of the obligations and liabilities of Franchisee under this Agreement or enter into the Company's then-current form of Franchise Agreement; provided, however, that the term of such new agreement shall be equal to the remaining term of this Agreement and assignee shall not be required to pay a new initial franchise fee. In addition, if assignee is an Entity, the Company may require that one or more of the partners, shareholders or members of assignee, and the spouse(s) or domestic partner(s), if any, of such individuals, as applicable, and Franchisee in the case of a transfer by Franchisee to an Entity to be owned in whole or in part by Franchisee, execute appropriate confidentiality and personal guarantee provisions related to each of assignee's obligations and liabilities, in form and substance satisfactory to the Company. The number and identity of those partners, shareholders and members of assignee which will be required to execute such provisions shall be those persons and entities which, in the reasonable judgment of the Company, will have access to Confidential Information and/or a sufficient net worth to ensure assignee's performance under this Agreement. If the assignee is a corporation, partnership or limited liability

company, it also shall demonstrate to the reasonable satisfaction of the Company that it has established transfer instructions prohibiting the transfer on its records of any equity securities, partnership interests or ownership interests in violation of the requirements set forth in this Section 17 and that each stock, partnership or ownership certificate of Franchisee shall have conspicuously endorsed upon its face a statement in form satisfactory to the Company that the assignment or transfer is subject to all of the restrictions imposed upon assignments by this Agreement;

c. Franchisee shall remodel or refurbish the Restaurant to the Company's then-current standards, format, design and image, as designated pursuant to plans and specifications provided by the Company as a condition to any such assignment;

d. The assignee must demonstrate to the Company's satisfaction that it has, or will have prior to operating a Restaurant, four (4) managers, inclusive of an Operations Director, who have successfully completed the Company's management training program at a site designated by the Company and that each manager is ServSafe certified and otherwise in compliance with Section 16.1 of this Agreement. If assignee's Operations Director does not have an equity interest in the franchise business, an equity owner also must have successfully completed the Company's management training program at a site designated by the Company and be ServSafe certified as of the date of the assignment;

e. The assignee shall represent and warrant to the Company in writing that the assignee:

i. Has conducted an independent study of the Restaurant and the business therein;

ii. Has not in any way relied upon statements or representations of the Company or its employees or agents except as may be contained in a franchise disclosure document which may be required to be delivered to such assignee in accordance with applicable law; and

iii. Acknowledges and understands that the assignee's rights upon assignment are conditioned on full performance of Franchisee's obligations hereunder and are limited to those expressly provided for in this Agreement.

f. As of the date of such assignment, Franchisee shall have fully performed and complied with all of its obligations to the Company, whether under this Agreement or any other agreement, arrangement or understanding with the Company;

g. Franchisee shall pay and discharge all outstanding obligations to third parties arising from the existence, operation or maintenance of the Restaurant including, without limitation, amounts owing under the lease, if any, for the Accepted Site or to employees, suppliers, taxing authorities, utility companies and others as of the assignment date;

h. Franchisee shall pay to the Company a transfer fee of Five Thousand Dollars (\$5,000) to reimburse the Company for costs and expenses incurred in connection with such Assignment including, without limitation, the cost of credit investigations and the preparation of Assignment agreements and disclosure documents which may be required to be delivered to such assignee under applicable federal or state law.

17.5 As of the date of such assignment, Franchisee shall deliver to the Company a general release in a form acceptable to the Company releasing the Company and its officers, directors, members Affiliates, managers, shareholders, partners and other related persons from all claims by Franchisee and Franchisee's Affiliates, employees, representatives, directors, and officers. If Franchisee is a business entity, such general release also shall be provided by Franchisees' members, managers, shareholders and partners and their respective spouses, as applicable.

17.6 Any encumbrance, assignment or purported encumbrance or assignment of Franchisee's rights, privileges or interests under this Agreement without the Company's written consent shall be null and void, of no force and effect, and shall constitute grounds for termination of this Agreement as provided in Section 18 hereof.

17.7 If Franchisee is an Entity or if this Agreement is assigned to an Entity, an Assignment of this Agreement will be deemed to have occurred when in the aggregate more than fifty percent (50%) of any one class of outstanding capital stock, the voting power, membership interests, partnership interests or other ownership interests of such Entity has been sold, transferred, pledged or assigned. In determining whether there has been a transfer of more than fifty percent (50%) of the stock, voting power, partnership interests or other ownership interests in Franchisee as provided for in this Section 17.7, the Company may aggregate with any transfer, sale or assignment of stock, voting power, partnership interest or other ownership interest any other transfer occurring within twenty four (24) months prior to the date of such determination.

17.8 THIS SECTION IS INTENTIONALLY OMITTED

17.9 Any assignment based upon the legal incapacity of Franchisee, whether by operation of law or otherwise, shall be subject to the Company's written consent and right of first refusal as provided herein.

17.10 If this Agreement is assigned, Franchisee shall remain liable to the Company for the post-term covenants of Franchisee contained in this Agreement; provided, that the foregoing limitation on liability shall not reduce Franchisee's continuing liability under all of the terms of the Franchise Agreement to the extent that Franchisee is a partner, shareholder or owner of an interest in the assignee. The Company's consent to any transfer hereunder shall not constitute a waiver or release of any claims it may have against Franchisee as of the date of the assignment.

17.11 Any transfer of this Agreement or any interest in this Agreement or franchisee due to permanent disability or by will or intestate succession, or the sale of this franchise or any interest in Franchisee constituting a transfer pursuant to Section 17.7 by the conservator, executor or administrator of Franchisee's or such shareholder's or person's estate, shall be considered to be a transfer requiring compliance with the provisions of this Section 17, including the requirements

concerning the Company's written approval of the assignee, the assignee's qualifications and training, and the execution of agreements but no transfer fee will be charged. In the event the Company does not approve the qualifications of any heir or beneficiary to operate the Restaurant, the executor or administrator of Franchisee's estate shall have a period of twelve (12) months following written disapproval to sell the franchise business to an assignee acceptable to the Company, during which twelve-month (12-month) period the Restaurant shall be operated in accordance with all the terms and provisions of this Agreement. Such sale shall be subject to the Company's right of first refusal pursuant to this Section 17. If such a sale is not concluded within that period, the Company may terminate this Agreement. A “**permanent disability**” occurs if Franchisee is not able to personally, actively participate in the management of Franchisee's Restaurant for nine (9) consecutive months.

17.12 If, for convenience of ownership, Franchisee desires that an Entity be designated to hold an Interest in this Agreement, upon the initial signing of this Agreement or upon assignment of this Agreement to an Entity at a later date, the Company will consent to the ownership or assignment of this Agreement by/to such an Entity, provided that (i) none of the securities of an Entity shall be traded on any public exchange or over the counter market; (ii) the certificates or other evidence of ownership held by the owner thereof shall contain a restriction on transfer referencing this Franchise Agreement, in a form required by the Company; (iii) the ownership of the assignee Entity shall be in the same proportion as the ownership of Franchisee immediately prior to the transfer; and (iv) none of the shares of stock, membership interests, voting power, equity or ownership interests in the initial or assignee Entity shall be held by or for the benefit of a Competitive Business with the Company. Franchisee shall pay an administrative fee of Five Hundred Dollars (\$500) per transfer for each transfer to an Entity where such transfer is for the convenience of ownership only. At the time of request for a transfer for the convenience of ownership, Franchisee shall submit the following documents to the Company and the Company shall review and approve such documents within thirty (30) days thereafter (a trust may **not** hold an Interest in Franchisee):

a. For initial ownership by or an assignment to a corporation, Franchisee shall provide to the Company a (i) file stamped copy of the Articles of Incorporation (or comparable organizational document) and By-laws of the proposed assignee corporation, (ii) a sample stock certificate, (iii) a Certificate of Good Standing in the state in which the corporation is authorized to do business and the state in which the corporation will conduct the restaurant business pursuant to this Franchise Agreement, and (iv) a list of directors, shareholders and officers and their percentage ownership of the stock of the corporation. Each share certificate of a corporation shall contain a restriction on transfer in a form designated by the Company.

b. For initial ownership by or an assignment to a partnership, Franchisee shall provide to the Company a (i) file stamped copy of the Certificate of Limited Partnership (if applicable) or the Statement of Partnership, and (ii) a copy of the fully executed Partnership Agreement, containing an exhibit showing the percentage of ownership in the partnership by all partners. The partnership agreement shall contain a restriction on transfer in a form designated by the Company.

c. For initial ownership by or an assignment to a limited liability company, Franchisee shall provide to the Company (i) a file stamped copy of the Articles of Organization (or comparable

organizational document); (ii) a fully executed copy of the operating agreement, containing an exhibit showing the percentage of ownership of all members in the limited liability company; and (iii) the name of the manager or managers of the limited liability company. The operating agreement shall contain a restriction on transfer in a form designated by the Company.

d. Franchisee acknowledges that the purpose of the restrictions on transfer referenced in Sections 17.12.a through 17.12.c above are to protect the Company's trademarks, service marks, trade secrets, and operating procedures as well as the Company's general high reputation and image, and is for the mutual benefit of the Company, the Franchisee and other franchisees of the Company. The Company shall not unreasonably restrict the issuance or transfer of stock or interests in a partnership or limited liability company, provided that, in no event, shall any share of stock of such assignee corporation, or an interest in a partnership or limited liability be sold, assigned or transferred to a business of a competitor of the Company.

17.13 In connection with a sale by Franchisee of all or substantially all of the assets relating to the Restaurant business, Franchisee may, at its option, take a security interest in the Restaurant and Franchisee's rights under this Agreement to secure any financing that Franchisee provides to the purchaser for the purchase of the Restaurant. In the event of a default under such financing arrangement and the exercise by Franchisee of its rights under such security interest, Franchisee or the entity purchasing the Restaurant out of a foreclosure sale may become the franchisee under this Agreement, subject to its compliance with each of the requirements set forth in this Section 17.

18. **DEFAULT AND TERMINATION**

18.1 In addition to all other available rights and remedies, the Company shall have the right to terminate this Agreement only for "cause." **"Cause"** is defined as a material breach of this Agreement, including but not limited to any of the facts or circumstances specified in Sections 18.2 or 18.3.

18.2 In addition to all other available rights and remedies, the Company shall have the right upon the occurrence of any of the following events to terminate this Agreement effective immediately upon giving written notice thereof to Franchisee.

a. Franchisee abandons and fails to operate the Restaurant business for ten (10) consecutive days or any shorter period of time after which the Company reasonably determines that Franchisee does not intend to continue to operate the business, unless such failure is due to fire, flood, earthquake or other similar cause beyond Franchisee's control, in which case Franchisee shall comply with each of the requirements set forth in Section 23.17;

b. Franchisee i) admits to an inability to pay its debts as they become due, ii) is declared bankrupt or judicially determined to be insolvent, iii) has a receiver appointed, or iv) has all of its assets, or a substantial portion thereof, assigned to or for the benefit of any creditor;

- c. A levy of execution is made upon the Restaurant, the license granted by this Agreement or upon any property used in the Restaurant business, and it is not discharged within five (5) days of such levy;
- d. The Restaurant business, equipment or premises are seized, taken over or foreclosed by a creditor, lienholder or lessor, provided that a final judgment rendered against Franchisee remains unsatisfied for at least thirty (30) days and a supersedeas or other appeal bond has not been filed;
- e. The right to occupy or lease the Accepted Site is lost or terminated and Franchisee has not relocated the Restaurant, if permitted, pursuant to Section 23.17;
- f. Franchisee or any of its partners, officers, directors or principal shareholders is convicted of a felony or is convicted of any other criminal misconduct that is relevant to the operation of the Restaurant;
- g. Franchisee fails to reach each milestone and to open and operate the Restaurant in accordance with and by the time set forth in Section 4;
- h. Any purported assignment, transfer or sublicense of this franchise, or any right hereunder, without the prior written consent of the Company;
- i. Any material misrepresentation is made by Franchisee in connection with the acquisition of the franchise herein;
- j. Franchisee engages in conduct which reflects materially and unfavorably upon Franchisee's operation, the reputation of the Restaurant business, the BYC System, or the goodwill associated with the BYC Marks or the Licensed Assets;
- k. Franchisee or any Franchisee Affiliate repeatedly fails to comply with one (1) or more requirements of this Agreement, any Area Development Agreement, any other agreement between Franchisee and the Company or as specified in the Manual, whether or not corrected after notification thereof. A repetition within a one-year (1-year) period of any default shall justify the Company terminating this Agreement upon written notice to the Franchisee without allowance for any curative period;
- l. Franchisee fails for a period of ten (10) days after notification of noncompliance, to comply with any federal, state or local law or regulation applicable to the operation and maintenance of the Restaurant, including, but not limited to, non-imminent public health and safety requirements, the Americans with Disabilities Act ("**ADA**") and all local zoning regulations and building codes (upon completion of store build out, the Company will require that Franchisee certify its compliance with such laws by executing Exhibit "F"); or
- m. Company reasonably determines that continued operation of the Restaurant by Franchisee will result in an imminent danger to public health or safety; or

n. Except for non-compliance otherwise covered by Subparagraph 18.2 a. through m. above, Franchisee fails to correct a deficiency or unsatisfactory condition referred to in an Inspection Report which the Company reasonably determines may have a material adverse effect on the ownership or operation of the Restaurant after having received a reasonable opportunity to cure such deficiency or unsatisfactory condition, which in no event need be more than thirty (30) days.

o. Franchisee or any Franchisee Affiliate commits a non-curable breach of any covenant, term, or condition of any note or other agreement (including any Broken Yolk Cafe® area development agreement) between Franchisee or any Franchisee Affiliate and the Company (or an Affiliate of the Company), the effect of which is to allow the Company to terminate (or accelerate the maturity of) such agreement before its stated termination (or maturity) date. The foregoing notwithstanding, if any area development agreement between Franchisee or any Franchisee Affiliate and the Company is terminated by the Company solely due to a failure of the developer thereunder to comply with the development schedule, this Franchise Agreement shall not be terminated as long as Franchisee and each Franchisee Affiliate remains in good standing and in full compliance with every note and agreement between the Company and Franchisee or any Franchisee Affiliate.

18.3 Except for any default by Franchisee under Section 18.2, or as otherwise expressly provided in this Agreement, Franchisee shall have ten (10) days (five (5) days in the case of any default in the timely payment of sums due to the Company or its Affiliates) after the Company's written notice of a material default within which to remedy any material default under this Agreement, and to provide evidence of such remedy to the Company. If any such default is not cured within that time period, or such longer time period as applicable law may require or as the Company may specify in the notice of default, this Agreement and all rights granted by it shall thereupon automatically terminate without further notice or opportunity to cure.

Franchisee shall be in material default under this Section for any failure to comply with any of the requirements imposed by this Agreement. Such material defaults shall include, but are not limited to, the occurrence of any one or more of the following events:

a. Failure of Franchisee to pay to the Company any fees, costs, charges or other amounts due under this Agreement;

b. Failure of Franchisee to pay when due any rent, taxes or other payments required under any sublease with the Company for the Accepted Site;

c. Failure of Franchisee to cure any default by Franchisee under any loan, note or other obligation which is obtained to assist Franchisee in making any payment due the Company hereunder or which is secured by all or any part of Franchisee's interest in the Restaurant, the Accepted Site, and/or the improvements or furniture, fixtures or equipment therein;

d. The attachment of any involuntary lien in the sum of One Thousand Dollars (\$1,000) or more upon any of the business assets or property of Franchisee, which lien is not removed, or for which Franchisee does not post a bond sufficient to satisfy such lien, within thirty (30) days of the filing of such lien;

e. In the event that Franchisee leases or subleases the Accepted Site and/or the leasehold improvements thereon from a third party, the failure of Franchisee to cure any and all defaults under the terms and provisions of any such lease or sublease within the time provided for the curing of any such default(s) in any such lease or sublease;

f. The failure of Franchisee or any Franchisee Affiliate to cure any and all curable defaults under the terms and provisions of any other agreement with the Company, or any third party relating to this franchise or the operation or ownership of the Restaurant, including any other Franchise Agreement, any Area Development Agreement, lease or promissory note between the Company or its Affiliate and Franchisee or any Franchisee Affiliate within the time provided for the curing of any such defaults in any such other agreement, lease or promissory note;

g. Franchisee's misuse or unauthorized use of the Licensed Assets;

h. Franchisee's failure to offer and sell any required menu item, as provided in Section 11.2 a., above;

i. Franchisee's failure to use the Company's Approved Suppliers, Distributors and Manufacturers or to offer products or services that fail to meet the Company Specifications, as provided in Section 11.2, above;

j. Franchisee's failure to have and maintain all license, permits or other government authorizations necessary to lawfully operate the Restaurant or to otherwise comply with all laws, ordinances, regulations and other governmental requirements in connection with or related to Franchisee's ownership and operation of the Restaurant; or

k. Failure of Franchisee to comply with any mandatory standard or requirement of this Agreement or the Manual which is not otherwise covered in this Section 18.

18.4 Notwithstanding anything to the contrary contained in this Section 18, in the event any valid, applicable law of a competent governmental authority having jurisdiction over this Agreement and the parties hereto shall limit the Company's rights of termination hereunder or shall require longer notice periods than those set forth above, this Agreement shall be deemed amended to conform to the minimum notice periods or restrictions upon termination required by such laws and regulations. The Company shall not, however, be precluded from contesting the validity, enforceability or application of such laws or regulations in any action, hearing or dispute relating to this Agreement or the termination thereof.

18.5 The Company shall not, and cannot be held in breach of this Agreement until (i) the Company has received written notice from Franchisee describing in detail any alleged breach; and (ii) the Company has failed to remedy the breach within a reasonable period of time after such notice, which period shall not be less than sixty (60) days plus such additional time as reasonably required by the Company if because of the nature of the alleged breach it cannot reasonably be cured within said sixty (60) days, provided the Company promptly commences and continues diligently to cure such alleged breach. Except for an uncured breach hereof by the Company (subject to the preceding sentence) or as permitted under Section 23.17 hereof, Franchisee shall have no right to terminate this Agreement. The foregoing notwithstanding, the Company shall be entitled to delay its delivery of any goods or services or performance of any obligation due to Franchisee under this Agreement for so long as Franchisee is in default under this Agreement, and no such delay in performance or delivery shall be deemed to be a breach of this Agreement.

19. **RIGHTS AND OBLIGATIONS UPON TERMINATION**

19.1 In the event of expiration or earlier termination of this Agreement:

a. Franchisee shall immediately, but in no event later than ten (10) days after the effective date of any expiration or termination, cease to use, in any manner and for any purpose, directly or indirectly, the BYC Marks, the BYC System, the Licensed Assets used by Franchisee in connection with the franchise relationship and shall immediately return to the Company any and all tangible (including electronic) copies of any of the foregoing, including, but not limited to:

- i. Specifications, recipes and descriptions of food products;
- ii. The Manual, memoranda, bulletins, forms, reports, instructions and supplements thereto;
- iii. Training methods and materials provided by the Company hereunder;
- iv. Brochures, posters and other advertising materials; and
- v. All items bearing or containing the BYC Marks.

b. Franchisee shall promptly, but in no event later than 30 (thirty) days after the effective date of any expiration or termination, remove, obliterate or destroy all signs and advertisements identifiable in any way with the Company's name and perform such reasonable redecoration and remodeling of the Restaurant and the Accepted Site as may be necessary, in the Company's judgment, to distinguish it from a Broken Yolk Cafe® restaurant. To the extent that the Company is required under applicable law to repurchase certain goods from Franchisee, Franchisee hereby grants to the Company the option to purchase all paper goods, containers and all other items containing the Company's name or the BYC Marks which are in re-saleable or reusable condition at the lower of their cost or fair market value at the time of termination;

c. The Company may retain all fees paid pursuant to this Agreement;

d. On any termination or expiration of this Agreement, whether due to a default of Franchisee or otherwise, the Company shall have the right, at its option, for thirty (30) days after such termination or expiration to elect to purchase Franchisee's interest in the leasehold improvements and furniture, fixtures, equipment, and any or all of the other tangible Restaurant assets at a purchase price equal to the lesser of Franchisee's cost or the fair market value of such leasehold improvements, furniture, fixtures, equipment and other assets, and to purchase Franchisee's inventory at Franchisee's cost thereof. If the parties hereto cannot agree on the fair market value within forty-five (45) days of any such date of termination or expiration, the Company shall designate an independent appraiser whose determination shall be binding. If the Company elects to exercise any option to purchase as herein provided, it shall have the right to set off all amounts due from Franchisee and the costs of the appraisal, if any, against any payment therefore.

19.2 Within three (3) days following the effective day of any expiration or termination of this Agreement, Franchisee shall promptly pay all sums owing to the Company and its subsidiaries and Affiliates. In the event of termination by reason of any default of Franchisee, such sums shall include all damages, costs and expenses, including reasonable attorneys' fees, incurred by the Company as a result of the default, which obligation shall give rise to and remain, until paid in full, a lien in favor of the Company against any and all of the personal property, furnishings, equipment, signs, fixtures, and inventory owned by Franchisee located in the Restaurant operated hereunder at the time of any such default. Franchisee agrees to pay interest to the Company on any amounts which may become due to the Company from Franchisee, if such are not paid when due, at the rate of fifteen percent (15%) per annum or the maximum interest rate permitted by law, whichever is less.

19.3 The Company has the unrestricted right (but is not required to) operate the Restaurant on Franchisee's behalf and at Franchisee's expense in the event of Franchisee's death, disability or absence. The Company can pay itself a reasonable amount for its management services and other costs. The Company will use reasonable efforts and discretion in managing the Restaurant, but will in all cases be indemnified by Franchisee (and/or Franchisee's estate) against any costs and/or liabilities related in any way to the Company's management and the operation of the Restaurant. The Company is expressly authorized by Franchisee to manage in good faith and on terms that the Company considers appropriate, including payment of any past, current and/or future obligations to us or to any other creditor out of assets and/or revenues of the Restaurant.

19.4 If the Company exercises the option to purchase the Restaurant's assets pursuant to Section 19.1, then pending closing of the purchase, and at any other time when the Company is concerned that continued operation by Franchisee may cause harm to the BYC Marks or BYC System or may endanger public health or safety, then the Company shall have the right, but not the obligation, to elect to manage or appoint a manager to maintain operation of the Restaurant, or, at the Company's option, require Franchisee to close the Store without removing any assets.

19.5 The Company's right in Sections 19.3 and 19.4 does not establish any obligation to implement that right, whether as a lesser remedy to a breach or threatened breach by Franchisee or for any other reason. The Company may assume operation of the Store under Sections 19.3 and 19.4 for ninety (90) calendar days (the "**Management Period**") upon notice to Franchisee. Franchisee shall cooperate fully with the transition of operations management to the Company or the Company's designated representative. The Management Period may be extended by the Company, in its reasonable discretion, for a period of up to twelve (12) consecutive months.

19.6 If the Company appoints a manager to maintain operation of the Restaurant pending closing of the purchase, or for other period of time or circumstances, then all funds from operation of the Restaurant during the period of management by the appointed manager will be kept in a separate fund, and all expenses of the Restaurant, including compensation, travel and living expenses of the manager, will be charged to that fund. As compensation for the management services, the Company shall be entitled to charge the fund and retain ten percent (10%) of Gross Sales during the period of management.

19.7 Operation of the Restaurant during the Management Period shall be on Franchisee's behalf, with the Company having a duty only to use the Company's good faith effort to manage the Restaurant and without liability to Franchisee for debts or obligations incurred by the Restaurant or to any of Franchisee's creditors for any goods or services purchased by the Restaurant during the period of management by a manager appointed by the Company. During this period of management, Franchisee shall maintain in force for the Restaurant all insurance policies required by this Agreement.

19.8 The expiration or termination of this Agreement shall be without prejudice to the rights and remedies of the Company against Franchisee. Furthermore, such expiration or termination shall neither release Franchisee or any of its obligations and liabilities to the Company existing at the time thereof nor terminate those obligations and liabilities of Franchisee which, by their nature, survive the expiration or termination of this Agreement.

19.9 Upon expiration or termination of this Agreement, the Company may remove all references to the Franchisee and/or to the Restaurant from its website(s).

19.10 Franchisee shall comply with Section 21, below, with respect to post-term restrictions on competition and the protection of the Company's Licensed Assets.

20. **RIGHTS TO A SUCCESSOR FRANCHISE**

20.1 Franchisee shall have the right, subject to the conditions contained in this Section 20.1, to acquire a successor franchise for the Restaurant on the terms and conditions of the Company's then-current form of Franchise Agreement and for a term of either ten (10) years (a "**Ten-Year Successor Term**") or a term of twenty (20) years (a "**Twenty-Year Successor Term**") commencing on the expiration of the term of this Agreement. Franchisee's right to a successor franchise shall be conditioned upon the satisfaction of each of the following conditions prior to the expiration of the term of this Agreement: (a) Franchisee is in compliance with this Agreement in all respects including financial and operational compliance and has been in substantial compliance

with this Agreement throughout the term; (b) the Company has not notified Franchisee of its decision that any federal or applicable state legislation, regulation or rule which is enacted, promulgated or amended after the date hereof may have an adverse effect on the Company's rights, remedies or discretion in franchising Broken Yolk Cafe® restaurants; (c) Franchisee maintains the right to possession of the Accepted Site for the term of the successor Franchise Agreement; (d) Franchisee shall have paid the renewal fee described in the final sentence of this Section 20.1; and (e) Franchisee satisfies each of the conditions and executes and delivers the agreement described in Sections 20.2, 20.3 and 20.4 below. Franchisee will be obligated to pay a renewal fee equal to (i) twenty-five percent (25%) of the Company's then- current standard initial franchise fee if Franchisee elects a Ten-Year Successor Term or (ii) fifty percent (50%) of the Company's then-current standard initial franchise fee if Franchisee elects a Twenty-Year Successor Term.

20.2 Franchisee must give the Company written notice of Franchisee's desire to acquire a successor franchise at least three hundred sixty five (365) days prior to the expiration of this Agreement and shall indicate in such notice whether it has selected a Ten-Year Successor Term or a Twenty-Year Successor Term. The Company will give Franchisee notice, not later than sixty (60) days after receipt of notice, of the Company's decision as to whether or not Franchisee has the right to acquire a successor franchise pursuant to Section 20.1. Notwithstanding notice of the Company's decision that Franchisee has the right to acquire a successor franchise for the Restaurant, Franchisee's right to acquire a successor franchise will be subject to Franchisee's continued compliance with all of the terms of this Agreement up to the date of its expiration.

20.3 If Franchisee exercises the right to acquire a successor franchise in accordance with Section 20.2 above, Franchisee shall enter into an agreement with the Company within sixty (60) days following delivery of the written notice pursuant to Section 20.2, agreeing to remodel the Restaurant, make improvements, add or replace fixtures, furnishings, equipment and signs, and otherwise modify to upgrade the Restaurant to the specifications, image and standards then applicable for new Broken Yolk Cafe® restaurants. All such remodelings, additions and replacements must be completed prior to the effective date of such successor Franchise Agreement.

20.4 If Franchisee has the right to acquire a successor franchise in accordance with Section 20.1 and exercises that right in accordance with Section 20.2, the parties must execute the form of franchise agreement (which may contain provisions, including royalty and advertising fees, materially different from those contained herein) and all ancillary agreements which the Company then customarily uses in granting franchises for the operation of Broken Yolk Cafe® restaurants, and Franchisee must execute general releases, in form and substance satisfactory to the Company, of any and all claims against the Company and its Affiliates, officers, directors, employees, agents, successors and assigns. Failure by Franchisee to sign such agreements and releases within thirty (30) days after delivery thereof to Franchisee shall be deemed an election by Franchisee not to acquire a successor franchise.

21. PROPRIETARY RIGHTS AND UNFAIR COMPETITION

21.1 In the event of any claim of, or challenge to, Franchisee's use of the Licensed Assets, Franchisee shall immediately notify the Company in writing of the facts of such claim or challenge.

a. The Company shall protect and defend Franchisee against any claims or challenges arising out of Franchisee's proper use of the Licensed Assets.

b. The Company shall reimburse Franchisee for all damages for which it is held liable in any such proceeding; however, the foregoing obligations of the Company to protect, defend and reimburse Franchisee will exist only if Franchisee has used the name, mark or asset which is the subject of the controversy in strict accordance with the provisions of this Agreement and the rules, regulations, procedures, requirements and instructions of the Company and has notified the Company of the challenge as set forth above.

c. Any action to be taken in the event of a claim or challenge to any of the Licensed Assets shall be solely in the discretion of the Company. The Company and/or its Affiliate, BYC, Inc., shall have the sole right to control any legal actions or proceedings resulting therefrom. Any actions taken to protect the Licensed Assets shall also be within the sole discretion and control of the Company and/or its Affiliate, BYC, Inc. Franchisee shall cooperate fully with the Company in the prosecution or defense of any claim or challenge concerning any of the License Assets.

21.2 If it becomes advisable at any time, in the sole discretion of the Company, to modify or discontinue the use of any one or more of the Licensed Assets or to use one or more additional or substitute names, marks or copyrights, Franchisee agrees to immediately comply with the instructions of the Company in that regard. In such event, the sole obligation of the Company will be to reimburse Franchisee for the actual costs, such as replacing sign faces, of physically complying with this obligation.

21.3 Franchisee acknowledges and agrees that at all times and in all respects, the Licensed Assets are the sole property of the Company's Affiliate, BYC, Inc., as licensed to the Company and that Franchisee has only a license to use such rights and marks according to the provisions hereof. Franchisee shall make no application for registration of any identifying name or mark licensed herein or similar thereto without the prior written consent of, and upon terms and conditions satisfactory to, the Company. Franchisee shall not apply for registration of the Intellectual Property, or any part thereof, or anything confusingly similar thereto, as a domain name, or use, or permit the usage of, any of the same in connection with any Internet website or webpage. Franchisee agrees to indicate the required trademark, service mark or copyright notices in the form specified by the Company in connection with its use of the Licensed Assets. Franchisee agrees to take no action which will interfere with any rights of the Company or its Affiliate, BYC, Inc., in and to the Licensed Assets. Franchisee shall not, without the Company's prior written consent, sell, dispense or otherwise provide the Company's products bearing the BYC Marks, except by means of retail sales in, or delivered from, the Restaurant.

21.4 a. The Company may, at its option, establish and maintain an Intranet through which franchisees of the Company may communicate with each other, and through which the Company and Franchisee may communicate with each other and through which the Company may disseminate the Manual, updates thereto and other confidential information. The Company shall have sole discretion and control over all aspects of the Intranet, including the content and functionality thereof. The Company will have no obligation to

maintain the Intranet indefinitely, and may dismantle it at any time without the Company having any liability to Franchisee. As used herein, the term “**Intranet**” shall mean an intranet, extranet or other communication network between and among the Company and Franchisee that is accessed by the Internet. As used herein, the term “**Internet**” shall mean collectively the myriad of computer and telecommunications facilities, including equipment and software, which comprise the interconnected worldwide network of networks that employ the TCP/IP [Transmission Control Protocol/Internet Protocol], or any predecessor or successor protocols to such protocol, to communicate information of all kinds by fiber optics, wire, radio or other methods of electronic communication.

b. If the Company establishes an Intranet, Franchisee shall have the privilege to use the Intranet, subject to Franchisee’s strict compliance with the standards and specifications, protocols and restrictions that the Company may establish from time to time. Such standards and specifications, protocols and restrictions may relate to, among other things, (i) use of abusive, slanderous or otherwise offensive language in electronic communications; (ii) confidential treatment of materials that the Company transmits via the Intranet; (iii) password protocols and other security precautions; (iv) grounds and procedures for the Company’s suspension or revocation of a franchisee’s access to the Intranet; and (v) a privacy policy governing the Company’s access to and use of electronic communications that franchisees post to the Intranet. Franchisee acknowledges that, as administrator of the Intranet, the Company can technically access and view any communication that any person posts on the Intranet. Franchisee further acknowledges that the Intranet facility and all communications that are posted to it will become the Company’s property, free of any claims of privacy or privilege that Franchisee or any other person may assert.

c. Upon receipt of notice from the Company that the Company has established the Intranet, Franchisee shall establish and continually maintain (during all times that the Intranet shall be established and until the termination of this Agreement) an electronic connection (the specifications of which shall be specified in the Manual) with the Intranet that allows the Company to send messages to, and receive messages from, Franchisee, subject to the standards and specifications.

d. If Franchisee or any Franchisee Affiliate shall breach this Agreement or any other agreement with the Company or any of its Affiliates, the Company may disable or terminate Franchisee’s access to the Intranet without the Company’s having any liability to Franchisee, and in which case the Company shall only be required to provide Franchisee a paper copy of the Manual and any updates thereto, if none have been previously provided to Franchisee, unless not otherwise entitled to the Manual.

21.5 The Company has established one or more Websites. As used herein, the term “**Website**” shall mean one or more Internet websites that may, among other things, facilitate catering, take-out and delivery orders, provide information about the System and the products and services which are offered on such Website and at restaurants operated under the BYC Marks.

a. The Company may, at its sole discretion, from time to time, without prior notice to Franchisee: (i) change, revise, or eliminate the design, content and functionality of the Website; (ii) make operational changes to the Website; (iii) change or modify the URL and/or domain name of the Website; (iv) substitute, modify, or rearrange the Website, at the Company's sole option, including in any manner that the Company considers necessary or desirable to, among other things, (1) comply with applicable laws, (2) respond to changes in market conditions or technology, and (3) respond to any other circumstances; (v) limit or restrict end-users' access (in whole or in part) to the Website; and (vi) disable or terminate the Website without the Company having any liability to Franchisee.

b. The Website may include one or more interior pages that identify restaurants operated under the BYC Marks, including the Restaurant, by among other things, geographic region, address, telephone number(s), and menu items. The Website may also include one or more interior pages dedicated to franchise sales by the Company and/or relations with the Company's investors.

c. The Company may, from time to time, but is not obligated to, establish the Franchisee Page. As used herein, the term "**Franchisee Page**" shall mean one or more interior pages of the Website dedicated in whole or in part to Franchisee's Restaurant. The Company may permit Franchisee to customize or post certain information to the Franchisee Page, subject to Franchisee's execution of the Company's then-current participation agreement, and Franchisee's compliance with the procedures, policies, standards and specifications that the Company may establish from time to time. Such participation agreement may include, without limitation, specifications and limitations for the data or information to be posted to the Franchisee Page, customization specifications, the basic template for design of the Franchisee Page, parameters and deadlines specified by the Company, disclaimers, and such other standards and specifications and rights and obligations of the parties as the Company may establish from time to time. Any modifications (including customizations, alterations, submissions or updates) to the Content made by Franchisee or any Franchisee Affiliate for any purpose will be deemed to be a "**work made for hire**" under the copyright laws, and therefore, the Company shall own the intellectual property rights in and to such modifications. To the extent any modification does not qualify as a work made for hire as outlined above, Franchisee hereby assigns those modifications to the Company for no additional consideration and with no further action required and shall execute such further assignment(s) as the Company may request.

d. Without limiting the Company's general unrestricted right to permit, deny and regulate Franchisee's participation on the Website in the Company's sole discretion, if Franchisee shall breach this Agreement, or any other agreement with the Company or its Affiliates, the Company may disable or terminate the Franchisee Page and remove all references to the Restaurant on the Website until said breach is cured.

21.6 Franchisee acknowledges that, in connection with the operation of the franchise business, the Company will be disclosing confidential information and trade secrets to Franchisee. Franchisee further acknowledges that its knowledge of, and access to, the Company's formulae,

recipes, processes, products, techniques, know-how and other proprietary information, including without limitation the Manual, the BYC System and proprietary material that we reasonably specify from time to time as confidential (collectively referred to as the "**Confidential Information**"), are derived entirely from the material disclosed to Franchisee by the Company. Franchisee acknowledges and agrees that at all times and in all respects, the Confidential Information is a trade secret of the Company and that Franchisee has only a license to use the Confidential Information according to the provisions of this Agreement.

a. Franchisee, and each officer, director, shareholder, member, manager, partner, and other equity owner, as applicable, of Franchisee, if Franchisee is an Entity, agree to maintain fully and strictly the secrecy of all the Confidential Information and to exercise the highest degree of diligence in safeguarding the Confidential Information during and after the term of this Agreement. Franchisee shall divulge the Confidential Information only to Franchisee's employees and only to the extent necessary to permit the efficient operation of the Restaurant during the effective term of this Agreement. After the expiration or termination of this Agreement, Franchisee shall not divulge the Confidential Information to any person or entity, nor shall Franchisee use the Confidential Information in any manner.

b. It is expressly agreed that the ownership of all of the BYC Marks and the Confidential Information is and shall remain vested solely in Licensor. Nothing contained in this Agreement shall be construed to require the Company or Licensor to divulge to Franchisee any secret processes, formulae, ingredients or other information, except the material contained in the Company's Manual and training materials.

21.7 To further protect the BYC System: i) while this Agreement is in effect, Franchisee and each officer, director, shareholder, member, manager, partner, and other equity owner, as applicable, of Franchisee, if Franchisee is an Entity, shall neither directly nor indirectly own, operate, control, provide services to or have any financial interest in any other business which would constitute a "Competitive Business" (as hereinafter defined and subject to the qualifications stated in subsection (c), below); and ii) for a period of two (2) years after the termination or expiration of this Agreement, regardless of the cause of termination or non-renewal, Franchisee and each officer, director, shareholder, member, manager, partner, and other equity owner, as applicable, of Franchisee, if Franchisee is an Entity, shall not, without the Company's consent (which consent may be withheld at the Company's discretion), directly or indirectly (such as through an affiliate or through your or their families) own any legal or beneficial interest in, provide financial support or render services to, or give advice in connection with:

- a. any Competitive Business (as hereinafter defined and subject to the qualifications stated in subsection (c), below) located:
- i. within the Designated Area identified on Exhibit "A" to this Agreement;
 - ii. within ten (10) miles of Franchisee's Accepted Site or any other Broken

Yolk Cafe restaurant location (whether franchisee, Company- or Affiliate-owned); or

iii. within any geographic area (a “development territory”) identified in an area development agreement between the Company and a BYC franchisee/developer, which is in effect as of the termination/expiration date of this Agreement; and

b. any entity located anywhere that grants franchises for or licenses others to operate any Competitive Business.

c. The Company may, in its sole discretion, consent to the Franchisee's continued operation of any business already in existence and operating at the time of execution of this Agreement. The foregoing shall not apply to operation of a Broken Yolk Cafe® restaurant by Franchisee pursuant to another Franchise Agreement with the Company or the ownership by Franchisee of less than five percent (5%) of the issued or outstanding stock of any company whose shares are listed for trading on any public exchange or on the over-the-counter market, provided that Franchisee does not control or become involved in the operations of any such company. For purposes of this Section 21.7, a “**Competitive Business**” shall mean a coffee shop or family style restaurant or any other business which offers, provides, or sells (or grants franchises or licenses to others to operate a business that offers, provides, or sells) products and/or services similar to those provided by the franchised business.

21.8 In the event that any provision of this Section 21 shall be determined by a court of competent jurisdiction to be invalid or unenforceable, this Agreement shall not be void, but such provision shall be limited to the extent necessary to make it valid and enforceable.

22. DISPUTE RESOLUTION

22.1 Arbitration. Except as qualified below, any dispute between Franchisee and the Company or any of its Affiliates arising under, out of, in connection with or in relation to this Agreement, any lease or sublease for any Restaurant location, the parties’ relationship, or the Broken Yolk Cafe® business shall be resolved by final and binding arbitration in accordance with the Rules for Commercial Arbitration (the “Rules”) of the American Arbitration Association under the authority of the Federal Arbitration Act (the “Federal Act”) as supplemented by the laws of the state of California (to the extent not inconsistent with the Federal Act). The arbitration shall take place in San Diego County, California or at such other place as may be mutually agreed-upon by the parties. The parties shall select an arbitrator within ten (10) days after the filing of a demand and submission in accordance with the Rules. If the parties fail to agree upon an arbitrator or fail to agree to an extension of the selection period, the arbitration shall take place before an arbitrator selected in accordance with the Rules. The arbitrator shall be an individual with experience in franchise law or franchise relations. The decision or award by the arbitrator shall be final and binding on all parties to the dispute. A judgment may be entered upon the arbitration award by any court having jurisdiction, subject to the provisions of Section 23.8. The parties specifically waive any right they may have to apply to any court for relief from the provisions of this

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Agreement or from any decision of the arbitrator made prior to the award. The award of the arbitrator shall not have any precedential or collateral estoppel effect on any other controversy involving the Company or its Affiliates. The arbitrator shall decide any questions relating in any way to the parties' agreement to arbitrate, including arbitrability, applicability, subject matter, timeliness, scope, remedies, and any alleged fraud in the inducement, or purportedly void or voidable provisions of the Agreement. The arbitrator can issue summary orders disposing of all or part of a dispute and provide for temporary restraining orders, preliminary injunctions, injunctions, attachments, claim and delivery proceedings, temporary protective orders, receiverships and other equitable and/or interim/final relief. The subpoena powers of the arbitrator with respect to witnesses to appear at the arbitration proceeding shall not be subject to any geographical limitation. Arbitrators in any proceeding under this Section 22.1 will apply all applicable law, and a failure to apply the applicable law in accordance with Section 23.8 will be deemed an act in excess of authority and reviewable by the courts, and the parties expressly agree that any arbitration award can be reviewed and overturned by a court for legal error.

22.2 Dispute Options. The obligation to arbitrate shall not apply to:

- a. Controversies relating to the use and protection of the Licensed Assets or BYC System, including without limitation, appropriate injunctive relief for the alleged infringement thereof.
- b. Any claim under a lease or sublease for unlawful detainer or similar remedies available to a landlord or for the enforcement of landlord's rights under any lease, sublease or other document governing the real estate assets used in the operation of the Restaurant.
- c. Either party shall be entitled to seek preliminary or interim injunctive or provisional relief by the court or by arbitration under Section 22.1, or by a court in aid of arbitration (including, but not limited to, a temporary restraining order and preliminary injunction, all without bond) without showing or proving any actual damage, until such time as a final and binding determination is made in the proceeding. The foregoing equitable remedies shall be in addition to, and not in lieu of, all other remedies or rights which a party might otherwise have by virtue of any breach of this Agreement by the other party.

22.3 **Terms Applicable to All Proceedings; Damages Limitation; Waiver of Class Action.** UNWAIVABLE RIGHTS TO PUNITIVE, EXEMPLARY, MULTIPLE OR SIMILAR DAMAGES FRANCHISEE OR THE COMPANY MAY HAVE UNDER ANY STATUTE OR REGULATION SHALL BE FULLY EFFECTIVE. OTHERWISE AND TO THE EXTENT PERMITTED BY LAW, ANY RECOVERY ON ANY CLAIM UNDER THIS AGREEMENT SHALL BE LIMITED TO ACTUAL DAMAGES SUSTAINED BY THE INJURED PARTY, WITH ALL PARTIES WAIVING CLAIMS FOR PUNITIVE, EXEMPLARY, MULTIPLE OR SIMILAR DAMAGES. FRANCHISEE AND THE COMPANY WILL PURSUE ANY PROCEEDING ON AN INDIVIDUAL BASIS ONLY, AND NOT ON A CLASS-WIDE OR MULTIPLE PLAINTIFF BASIS; PROVIDED, THAT IF A COURT OR ARBITRATOR DETERMINES THAT THIS TERM OR ANY OTHER PROVISION OF THIS AGREEMENT IS UNENFORCEABLE, THE UNENFORCEABLE TERM SHALL BE SEVERED AND THE BALANCE OF THE AGREEMENT SHALL REMAIN IN FULL FORCE AND EFFECT.

23. MISCELLANEOUS PROVISIONS

23.1 In the event that Franchisee is comprised of more than one person, firm, corporation or other entity, Franchisee's rights, privileges, interests, obligations and liabilities under this Agreement shall be joint and several with respect to such persons, firms, corporations or other entities.

23.2 If Franchisee is an Entity, the Company can require at its sole option and as a condition to the effectiveness hereof, i) that any or all of the Franchisee's shareholders, members, partners and/or other equity owners holding ten percent (10%) or greater share of the entity, and the spouse(s) or domestic partner(s), if any, of such individuals, be personally bound to this Agreement; and/or ii) that any or all of the shareholders, members, partners and/or other equity owners holding ten percent (10%) or greater share of the entity, and the spouse(s) or domestic partner(s), if any, of such individuals, as applicable, of an Entity and or some other natural persons associated with Franchisee, sign the written guarantee and assumption of Franchisee's obligations hereunder, the form of which is attached hereto as Exhibit "C." Additionally, the Company will require an executed "Investor Covenants Regarding Confidentiality and Non-Competition Agreement" from all shareholders, members, partners, other equity owners, as applicable, of an Entity in the form attached hereto as Exhibit "D." The Company may also require that Franchisee maintain transfer instructions restricting a transfer on its records of any securities, partnership interests or other ownership interests in violation of the restrictions set forth in Section 17 and that each stock, partnership or other ownership certificate of Franchisee shall have conspicuously endorsed upon its face a statement in form satisfactory to the Company that further assignment or transfer thereof is subject to each of the restrictions imposed upon assignments by this Agreement.

23.3 All notices required under this Agreement shall be in writing and shall be either (i) served personally; (ii) sent by certified or registered United States mail to the party to be charged with receipt thereof; or (iii) sent by reputable overnight delivery service (FedEx and Airborne Express being deemed acceptable). Notices served personally are effective immediately on delivery, and those served by mail shall be deemed given forty-eight (48) hours after deposit of such notice in a United States post office with postage pre-paid and duly addressed to the party to whom such notice or communication is directed. Notices served by overnight delivery shall be deemed to have been given the day after deposit of such notice with such service. The address for the Company shall be: Attention: John Gelastopoulos, BYC Franchising, LLC, 1851 Garnet Avenue, San Diego, California 92109, and the address for the Franchisee shall be the address listed on the cover page of this Agreement. The Company or Franchisee may from time to time change its address for notice pursuant to this Section by giving a written notice of such change to the other party in the manner provided herein. Notwithstanding anything to the contrary contained herein, the Company may deliver bulletins and updates to the Manual by electronic means, such as by the Internet (e-mail) or an Intranet, if any, established by the Company.

23.4 The receipt and acceptance by either party of any delinquent payment due hereunder shall not constitute a waiver of any other default. Except as provided by the foregoing, no delay or omission in the exercise of any right or remedy of either party upon any default by the other hereunder shall impair such right or remedy or be construed as a waiver of any term, covenant or condition of this Agreement to be performed by the other party. Any waiver of any other default

must be in writing and shall not constitute a waiver of any other default concerning the same or any other term, covenant or condition of this Agreement.

23.5 The Company's consent to or approval of any act or conduct of Franchisee requiring such consent or approval shall not be deemed to waive or render unnecessary the Company's consent to or approval of any subsequent act or conduct hereunder.

23.6 The provisions of this Agreement are intended by the parties to be a complete and exclusive expression of their agreement. No other agreements, representations, promises, commitments or the like, of any nature, exist between the parties except as set forth or referenced herein. However, nothing in this or any related agreement is intended to disclaim the representations made by the Company in any Disclosure Document that was furnished to Franchisee by the Company. The provisions of this Agreement may not be contradicted by any other statement concerning the subject matter herein. Furthermore, this Agreement may not be amended or modified except by a written agreement signed by the parties hereto.

23.7 In the event of the bringing of any action by either party against the other arising out of or in connection with this Agreement or the enforcement thereof, or by reason of the breach of any term, covenant or condition of this Agreement on the part of either party, the party in whose favor final judgment is entered shall be entitled to have and recover from the other party reasonable attorneys' fees to be fixed by the court rendering such judgment. Each party shall be entitled to engage counsel of its choice related to any legal matter arising out of or in connection with this Agreement.

23.8 This Agreement shall be governed by and construed in accordance with the laws of the State of California, without giving effect to any conflict of laws, except that i) a breach of the provisions of Section 21.7 covering competition following the expiration, termination or assignment of this agreement shall be governed by the laws of the state in which the breach occurs, and ii) the provisions of any California statute, regulation or law regarding franchises, including the California Franchise Relations Act and the California Franchise Investment Law, shall not apply unless jurisdictional, definitional and other provisions governing the application thereof are met independently of this Section. The parties agree that any action brought by either party against the other in any court, whether federal or state, will be brought within the State of California. The parties consent to the exercise of personal jurisdiction over them by such courts and to the propriety of venue of such courts for the purpose of carrying out this provision, and they waive any objection that they would otherwise have to the same.

23.9 Except with respect to Franchisee's obligation to indemnify the Company pursuant to Section 9.3 of this Agreement, the parties waive to the fullest extent permitted by the law any right to or claim for any punitive or exemplary damages against the other and agree that, in the event of a dispute between them, the party making a claim shall be limited to recovery of any actual damages it sustains.

23.10 Any provision of this Agreement which may be determined by competent authority to be prohibited or unenforceable in any jurisdiction shall, as to that jurisdiction, be ineffective to the extent of the prohibition or unenforceability without invalidating the remaining provisions of this

Agreement. Any prohibition against or unenforceability of any provision of this Agreement in any jurisdiction, including the state whose law governs this Agreement, shall not invalidate the provision or render it unenforceable in any other jurisdiction. To the extent permitted by applicable law, Franchisee waives any provision of law which renders any provision of this Agreement prohibited or unenforceable in any respect.

23.11 Franchisee recognizes the unique value and secondary meaning attached to the BYC System, the BYC Marks, the Confidential Information and the associated standards of operation and trade practices, and Franchisee agrees that any noncompliance with the terms of this agreement or any unauthorized or improper use will cause irreparable damage to the Company and its franchisees. Franchisee therefore agrees that if it should engage in any such unauthorized or improper use during or after the term of this Agreement, the Company shall be entitled to both permanent and temporary injunctive relief from any court of competent jurisdiction in addition to any other remedies prescribed by law.

23.12 Franchisee shall grant no security interest in the franchise business or any of its assets, including the furniture, fixtures and equipment located in the Restaurants, unless the secured party agrees that in the event of any default by Franchisee under any documents relating to such security interests, the Company shall have the right and option to purchase the rights of the secured party in any such business, furniture, fixtures, equipment or assets at the fair market value of such assets, without obtaining the consent of the Company, which may be withheld or granted in the sole discretion of the Company.

23.13 Whenever in this Agreement terms such as “Company’s sole and absolute discretion”, “reasonable business judgment” and/or “sole discretion” occur, and whenever the Company exercises a right, prescribes an action or thing, or otherwise makes a choice or uses its discretion, Franchisee and the Company agree that the Company has the express, unrestricted right to make decisions and/or take (or refrain from taking) actions, as the Company deems appropriate. Company shall exercise such discretion based on its assessment of the interests which the Company considers appropriate and shall not be required to consider Franchisee’s individual interests or the interests of any other particular franchisee(s). Company has this right even if a particular decision/action may have negative consequences for Franchisee, a particular franchisee or a group of franchisees. Any Franchisee request for approval or consent as required under this Agreement must be submitted to the Company in writing, and any grant by the Company of any such approval or consent must be in writing to be effective.

23.14 This Agreement shall be binding upon and inure to the benefit of the parties hereto, their permitted heirs, successors and assigns.

23.15 This Agreement shall not be binding upon the Company unless and until it shall have been accepted and signed by authorized officers of the Company.

23.16 The parties intend to confer no benefit or right on any person or entity not a party to this Agreement, and no third party shall have the right to claim the benefit of any provision hereof as a third party beneficiary of any such provision.

- 23.17 a. If, following commencement of business at the Restaurant, the Restaurant is damaged or destroyed to the extent that the Company determines that the Restaurant must be closed for repairs for more than sixty (60) days (a “**casualty**”), or if the Accepted Site is taken by condemnation proceedings or Franchisee’s lease is terminated through no act or failure to act on its part (except the failure to utilize any available options to extend such lease, or Franchisee’s willful truncation of such lease), Franchisee may elect to relocate the Restaurant, terminate this Agreement, or in the case of a casualty, rebuild the Restaurant. Franchisee shall give notice of its intent to relocate, rebuild or terminate not later than forty-five (45) days following the date such casualty, condemnation or loss of lease occurs. If Lessee fails to give such written notification within such forty-five (45) day period, Franchisee shall be deemed to have elected to terminate this Agreement, and such termination shall be deemed effective within thirty (30) days following the date of such casualty, condemnation or loss of lease. In the event of such termination, Franchisee shall promptly comply with the requirements set forth at Sections 19.1 and 19.2.
- b. If Franchisee elects to rebuild, Franchisee shall, at its own expense, repair or reconstruct the Restaurant, and such construction shall be completed and the Restaurant shall reopen for business not later than twelve (12) months following the date the casualty occurred. The minimum acceptable appearance for the reconstructed Restaurant will be that which existed just prior to the casualty; however, every effort shall be made to have the reconstructed Restaurant reflect the then-current image, design and specifications of new Broken Yolk Cafe® restaurants.
- c. If Franchisee elects to relocate the Restaurant, it must execute the Company’s current form of Franchise Agreement within thirty (30) days following the occurrence of the casualty or its loss of possession of the original Accepted Site; provided, however, that the term of such new agreement shall be equal to the remaining term of this Agreement and Franchisee shall not be required to pay a new initial franchise fee. Franchisee will submit a replacement site for the new Restaurant, in accordance with the time frames indicated in the then-current form of Franchise Agreement, and shall be located in an area defined as a radius surrounding the existing site of the Restaurant, the exact dimensions of which shall be reasonably negotiated between Franchisee and the Company taking into consideration the rights of other existing and potential franchisees. If the Company approves the new site, Franchisee shall either acquire or lease the site and design, construct and furnish the Restaurant in conformance with the design and construction requirements imposed by the Company for new Broken Yolk Cafe® restaurants. The new Restaurant must be open for business not later than twelve (12) months following the date of the casualty or loss of possession of the original Accepted Site.

23.18 While Franchisee and its employees and contractors do not perform any work for the Company as an employer or otherwise, the following notice is provided pursuant to the Defend Trade Secrets Act of 2016 to the extent it is determined or construed to be required for the Company or its Affiliates to enforce our/their full rights under such Act or any other law:

“An individual shall not be held criminally or civilly liable under any federal or state trade secret law for the disclosure of a trade secret that is made in confidence to a federal, state or local

government official or to an attorney solely for the purpose of reporting or investigating a suspected violation of law. An individual shall not be held criminally or civilly liable under any federal or state trade secret law for the disclosure of a trade secret that is made in a complaint or other document filed in a lawsuit or other proceeding if such filing is made under seal. An individual who files a lawsuit for retaliation by an employer for reporting a suspected violation of law may disclose the trade secret to the attorney of the individual and use the trade secret information in the court proceeding if the individual files any document containing the trade secret under seal and does not disclose the trade secret, except pursuant to court order.

24. EFFECTIVE DATE

24.1 This Agreement shall be effective as of the date it is executed by the Company.

25. ACKNOWLEDGMENTS

25.1 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.

25.2 Franchisee acknowledges that it has received a complete copy of the Broken Yolk Cafe® Franchise Disclosure Document at least fourteen (14) calendar days prior to the date on which this Agreement was executed by Franchisee or payment of any monies was made to the Company, and that Franchisee received this Agreement and the attachments thereto, in the form actually executed, at least seven (7) calendar days prior to the date on which this Agreement was executed by Franchisee.

26. SIGNATURES

IN WITNESS WHEREOF, this Agreement has been executed by the parties hereto.

THE COMPANY:

BYC FRANCHISING, LLC

a California limited liability company

By: _____

Printed Name: John Gelastopoulos

Title: Manager and Chief Executive Officer

Date: _____

The “**Effective Date**”

FRANCHISEE (if Formal Business Entity
i.e., Corporation, LLC or Partnership):

a _____ (Entity Type)
of _____ (State)

By: _____

Printed Name: _____

Title: _____

Date: _____

By: _____

Printed Name: _____

Title: _____

Date: _____

FRANCHISEE (if an Individual):

Signature:

Printed Name: _____

Signature:

Printed Name: _____

Date: _____

EXHIBIT “A” TO FRANCHISE AGREEMENT

ACCEPTED SITE AND DESIGNATED AREA

(The Company to Sign only after all information is completely filled-in)

The Accepted Site for Franchisee’s Broken Yolk Cafe® Restaurant is:

(Street Address)

(City)

(State)

(Zip Code)

Subject to the terms and conditions of the Franchise Agreement, including rights granted to Franchisee as described in Section 1.6, the Designated Area for Franchisee’s Accepted Site is as follows:

☐ A circular area having a radius center point at the Street Address stated above, and containing a population of approximately 125,000 people (based on 2010 U.S. Census Bureau figures). The Designated Area as of the Effective Date of the Franchise Agreement is as provided on the map and accompanying word description attached hereto, but is subject to change by Company based upon future U.S. Census Bureau statistics or other statistics compiled by the applicable state or county.

OR

☐ A circular area having a radius center point at the Street Address stated above, and containing a population of approximately 50,000 people (based on 2010 U.S. Census Bureau figures). The Designated Area as of the Effective Date of the Franchise Agreement is as provided on the map and accompanying word description attached hereto, but is subject to change by Company based upon future U.S. Census Bureau statistics or other statistics compiled by the applicable state or county.

Note: Boundary lines include only the area within the boundary line and extend only to the middle of the boundary demarcation (for example, only to the middle of a street or highway). You have no rights under this Agreement or otherwise with respect to a facility on the other side of the boundary line, street or highway or otherwise, and no matter how close to such boundary a facility may be, regardless of the distance from, impact on, or vicinity of, your Restaurant, other outlets or otherwise in any area or market.

Once this Exhibit “A” is executed by Company, the specific site and Designated Area set forth above will automatically become the Accepted Site and Designated Area for purposes of the Franchise Agreement, as if originally set forth in therein. This Exhibit “A” will not be effective or binding unless and until executed by the Company.

THE COMPANY:
BYC FRANCHISING, LLC
a California limited liability company

By: _____

Printed Name: John Gelastopoulos

Title: Manager and Chief Executive Officer

Date: _____

FRANCHISEE (if Formal Business Entity i.e.,
Corporation, LLC or Partnership):

a _____ (Entity Type)
of _____ (State)

By: _____

Printed Name: _____

Title: _____

Date: _____

FRANCHISEE (if an Individual):

Signature: _____

Printed Name: _____

Date: _____

Signature: _____

Printed Name: _____

Date: _____

EXHIBIT "B" TO FRANCHISE AGREEMENT

MEMORANDUM OF OPENING DATE

(Sign Upon Opening of Restaurant)

On _____, BYC FRANCHISING, LLC, a California limited liability company ("**Company**"), and _____ ("**Franchisee**"), entered into a Franchise Agreement (the "**Franchise Agreement**") for a Broken Yolk Cafe® Restaurant to be located at _____ (the "**Accepted Site**").

The parties hereby agree that the Opening Date of the Restaurant at the Accepted Site was _____.

The term of the Franchise Agreement shall expire on _____, unless sooner terminated as provided in the Franchise Agreement.

IN WITNESS WHEREOF, the parties hereto have caused this Memorandum of Opening Date to be executed as of _____.

THE COMPANY:

BYC FRANCHISING, LLC

a California limited liability company

By: _____

Printed Name: John Gelastopoulos

Title: Manager and Chief Executive Officer

Date signed: _____

FRANCHISEE (if Formal Business Entity
i.e., Corporation, LLC or Partnership):

_____ a _____ (Entity Type)

of _____ (State)

By: _____

Printed Name: _____

Title: _____

Date signed: _____

By: _____

Printed Name: _____

Title: _____

Date signed : _____

FRANCHISEE (if an Individual):

Signature:

Printed Name: _____

Date signed: _____

Signature:

Printed Name: _____

Date signed: _____

EXHIBIT “C” TO FRANCHISE AGREEMENT

PERSONAL GUARANTY

The undersigned hereby unconditionally guarantees, absolutely and irrevocably, the performance and payment by Franchisee (as defined below) of, and expressly agrees to adopt and be bound by, each and all of the terms, covenants and conditions of that certain Franchise Agreement dated _____ (the “**Agreement**”) between BYC Franchising, LLC, a California limited liability company (“**Company**”) whose address is 1851 Garnet Avenue, San Diego, California 92109 and _____ (“**Franchisee**”) whose address is _____. The undersigned further agrees as follows:

1. This guaranty will continue unchanged by any bankruptcy, reorganization or insolvency of Franchisee or by any disaffirmance or abandonment by a trustee of Franchisee.
2. This covenant and agreement on the part of the undersigned shall continue in favor of Company notwithstanding any extension, modification or alteration of the Agreement entered into by and between the parties thereto, or their successors or assigns, and no extension, termination, rescission, expiration, award of a successor franchise, modification, alteration or assignment of the Agreement shall in any manner diminish, release or discharge the undersigned unless otherwise expressly so provided by the terms of a definitive agreement signed by Franchisee and Company.
3. The liability of the undersigned under this guaranty shall be primary and in any right of action which shall accrue to Company under the Agreement, Company may, at its option, proceed against the undersigned without having commenced any action or having obtained any judgment against Franchisee.
4. The undersigned shall pay Company’s reasonable attorneys’ fees and all costs and other expenses incurred in any collection or attempted collection or in any negotiations relative to the obligations contained in or the enforcement of this guaranty against the undersigned, individually and jointly only if final judgment is entered in favor of Company.
5. The undersigned hereby waives notice of any demand by Company as well as any notice of default in the payment of any and all amounts contained or reserved in the Agreement.
6. All sums due under this guaranty shall bear interest from the date due until the date paid at the maximum contract rate permitted by law. The obligations under this guaranty include, without limitation, payment when due of any and all sums due under the Agreement and all damages to which Company is or may be entitled whether under applicable law, indemnification payments and payment of any and all legal fees, courts costs and litigation expenses incurred by Company in endeavoring to collect or enforce any of the foregoing against Franchisee, the undersigned, or in connection with any property securing any or all of the foregoing or this guaranty.
7. The undersigned agrees that one or more successive or concurrent actions may be brought on this guaranty, in the same action in which Franchisee may be sued or in separate actions, as

often as deemed advisable by Company. The obligations under this guaranty are joint and several, and independent of the obligations of Franchisee.

8. No election in one form of action or proceeding, or against any party, or on any obligation, shall constitute a waiver of Company's right to proceed in any other form of action or proceeding or against any other party. The failure of Company to enforce any of the provisions of this guaranty at any time or for a period of time shall not be construed to be a waiver of any such provision or the right thereafter to enforce the same. All remedies under this guaranty shall be cumulative and shall be in addition to all rights, powers and remedies given to Company by law or under any other instrument or agreement.

9. All rights, benefits and privileges under this guaranty shall inure to the benefit of, and be enforceable by, Company and its successors and assigns and shall be binding upon the undersigned and his heirs, representatives, successors and assigns. Neither the death of the undersigned nor notice thereof to Company shall terminate this guaranty as to his estate, and, notwithstanding the death of the undersigned or notice thereof to Company, this guaranty shall continue in full force and effect. The provisions of this guaranty may not be waived or amended except in writing executed by the undersigned and a duly authorized representative of Company.

10. The undersigned represents and warrants that (i) it is in the undersigned's direct interest to assist Franchisee in procuring the Agreement, because Franchisee has a direct or indirect corporate or business relationship with the undersigned, (ii) this guaranty has been duly and validly authorized executed and delivered and constitutes the binding obligation of the undersigned, enforceable in accordance with its terms, and (iii) the execution and delivery of this guaranty does not violate (with or without the giving of notice, the passage of time, or both) any order, judgment, decree, instrument or agreement to which the undersigned is a party or by which it or its assets are affected or bound.

11. If any provision of this guaranty or the application thereof to any party or circumstance is held invalid, void, inoperative, or unenforceable, the remainder of this guaranty and the application of such provision to other parties or circumstances shall not be affected thereby, the provisions of this guaranty being severable in any such instance. This guaranty is the entire and only agreement between the undersigned and Company respecting the guaranty of the Agreement, and all representations, warranties, agreements, or undertakings heretofore or contemporaneously made, which are not set forth in this guaranty, are superseded.

12. Any notice which a party shall be requested or shall desire to give to the other under this guaranty shall be given by personal delivery or by depositing the same in the United States mail, first class postage pre-paid, addressed to Company at its address set forth above and to the undersigned at its address set forth above, and such notices shall be deemed duly given on the date of personal delivery or three (3) days after the date of mailing as aforesaid. Either party may change its address for purposes of receiving notices under this guaranty by giving written notice thereof to the other party in accordance with this section.

13. The provisions of Sections 22, 23.8 and 23.9 of the Agreement are incorporated in and will apply to this document as if fully set forth herein and shall apply to any dispute involving Company

and any of the undersigned (Copies of Sections 22, 23.8 and 23.9 of the Agreement are attached as Schedule 1 for ease of reference).

The undersigned waives and relinquishes any rights it may have under California Civil Code 2845, 2849 and 2850 or otherwise to require Company to (a) proceed against Franchisee or any other guarantor, pledgor or person liable under the Agreement; (b) proceed against or exhaust any security for the Franchisee or this guaranty; or (c) pursue any other remedy in Company's power whatsoever. In other words, Company may proceed against the undersigned for the obligations guaranteed without first taking any action against Franchisee or any other guarantor, pledgor or person liable under the Agreement and without proceeding against any security. The undersigned shall not have, and hereby waives (a) any right of subrogation, contribution, indemnity and any similar right that the undersigned may otherwise have, (b) any right to any remedy which Company now has or may hereafter have against Franchisee, and (c) any benefit of any security now or hereafter held by Company. The undersigned waives (a) all presentments, demands for performance, notices of non-performance, protests, notices of protests and notices of dishonor; (b) all other notices and demands to which the undersigned might be entitled, including without limitation notice of all the following: the acceptance hereof; any adverse change in Franchisee's financial position; any other fact which might increase the undersigned's risk; any default, partial payment or non-payment under the Franchisee and any changes, modifications, or extensions thereof; and any revocation, modification or release of any guaranty of any or all of the Agreement by any person (including without limitation any other person signing this guaranty); (c) any defense arising by reason of any failure of Company to obtain, perfect, maintain or keep in force any security interest in any property of Franchisee or any other person; (d) any defense based upon or arising out of any bankruptcy, insolvency, reorganization, arrangement, readjustment of debt, liquidation or dissolution proceeding commenced by or against Franchisee or any other guarantor or any person liable under the Agreement.

Without limiting the generality of the foregoing or any other provision of this guaranty, the undersigned expressly waives any and all benefits which might otherwise be available to it under California Civil Code 2839 (which provides that a surety is exonerated by the performance or the offer of performance of the principal obligation), 2899 (which provides for the order of resort to different funds held by the creditor) and 3433 (which provides for the right of a creditor to require that another creditor entitled to resort to several sources of payments first resort to sources not available to the first creditor). The undersigned waives the rights and benefits under California Civil Code 2819 and agrees that by doing so its liability shall continue even if Company alters any obligations under the Agreement in any respect or Company's rights or remedies against Franchisee are in any way impaired or suspended without the undersigned's consent. Company may without notice assign this guaranty in whole or in part.

14. The undersigned has had the opportunity to review this guaranty with its counsel and such counsel has explained to it the meaning and significance of the provisions of this guaranty, including but not limited to the waivers and consents contained in this guaranty, and answered any questions that it had regarding the meaning, significance and effect of the provisions of this guaranty.

The use of the singular herein shall include the plural. The obligations of two or more parties shall be joint and several. The terms and provisions of this guaranty shall be binding upon and inure to the benefit of the respective successors and assigns of the parties herein named.

IN WITNESS WHEREOF, the undersigned executed this guaranty on the same day and year as the Agreement was executed.

OWNER/PRINCIPAL:

Signature: _____

Printed Name: _____

OWNER/PRINCIPAL:

Signature: _____

Printed Name: _____

SPOUSE OR DOMESTIC PARTNER:

Signature: _____

Printed Name: _____

SPOUSE OR DOMESTIC PARTNER:

Signature: _____

Printed Name: _____

Schedule 1
to
PERSONAL GUARANTY

Sections 22, 23.8 and 23.9 of the Broken Yolk Cafe Franchise Agreement, as referenced in Section 13 of the Personal Guaranty:

“22. DISPUTE RESOLUTION

22.1 Arbitration. Except as qualified below, any dispute between Franchisee and the Company or any of its Affiliates arising under, out of, in connection with or in relation to this Agreement, any lease or sublease for any Restaurant location, the parties’ relationship, or the Broken Yolk Cafe® business shall be resolved by final and binding arbitration in accordance with the Rules for Commercial Arbitration (the “**Rules**”) of the American Arbitration Association under the authority of the Federal Arbitration Act (the “**Federal Act**”) as supplemented by the laws of the state of California (to the extent not inconsistent with the Federal Act). The arbitration shall take place in San Diego County, California or at such other place as may be mutually agreed upon by the parties. The parties shall select an arbitrator within ten (10) days after the filing of a demand and submission in accordance with the Rules. If the parties fail to agree upon an arbitrator or fail to agree to an extension of the selection period, the arbitration shall take place before an arbitrator selected in accordance with the Rules. The arbitrator shall be an individual with experience in franchise law or franchise relations. The decision or award by the arbitrator shall be final and binding on all parties to the dispute. A judgment may be entered upon the arbitration award by any court having jurisdiction, subject to the provisions of Section 23.8. The parties specifically waive any right they may have to apply to any court for relief from the provisions of this Agreement or from any decision the arbitrator made prior to the award. The award of the arbitrator shall not have any precedential or collateral estoppels effect on any other controversy involving the Company or its Affiliates. The arbitrator shall decide any questions relating in any way to the parties’ agreement to arbitrate, including arbitrability, applicability, subject matter, timeliness, scope, remedies, and any alleged fraud in the inducement, or purportedly void or voidable provisions of the Agreement. The arbitrator can issue summary orders disposing of all or part of a dispute and provide for temporary restraining orders, preliminary injunctions, injunctions, attachments, claim and delivery proceedings, temporary protective orders, receiverships and other equitable and/or interim/final relief. The subpoena powers of the arbitrator with respect to witnesses to appear at the arbitration proceeding shall not be subject to any geographical limitation. Arbitrators in any proceeding under this Section 22.1 will apply all applicable law, and a failure to apply the applicable law in accordance with Section 23.8 will be deemed an act in excess of authority and reviewable by the courts, and the parties expressly agree that any arbitration award can be reviewed and overturned by a court for legal error.

22.2 Dispute Options. The obligation to arbitrate shall not apply to:

- a. Controversies relating to the use and protection of the Licensed Assets or BYC System, including without limitation, appropriate injunctive relief for the alleged infringement thereof.

b. Any claim under a lease or sublease for unlawful detainer or similar remedies available to a landlord or for the enforcement of landlord's rights under any lease, sublease or other document governing the real estate assets used in the operation of the Restaurant.

c. Either party shall be entitled to seek preliminary or interim injunctive or provisional relief by the court or by arbitration under Section 22.1, or by a court in aid of arbitration (including, but not limited to, a temporary restraining order and preliminary injunction, all without bond) without showing or proving any actual damage, until such time as a final and binding determination is made in the proceeding. The foregoing equitable remedies shall be in addition to, and not in lieu of, all other remedies or rights which a party might otherwise have by virtue of any breach of this Agreement by the other party.

22.3 Terms Applicable to All Proceedings; Damages Limitation; Waiver of Class Action. UNWAIVABLE RIGHTS TO PUNITIVE, EXEMPLARY, MULTIPLE OR SIMILAR DAMAGES FRANCHISEE OR COMPANY MAY HAVE UNDER ANY STATUTE OR REGULATION SHALL BE FULLY EFFECTIVE. OTHERWISE AND TO THE EXTENT PERMITTED BY LAW, ANY RECOVERY ON ANY CLAIM UNDER THIS AGREEMENT SHALL BE LIMITED TO ACTUAL DAMAGES SUSTAINED BY THE INJURED PARTY, WITH ALL PARTIES WAIVING CLAIMS FOR PUNITIVE, EXEMPLARY, MULTIPLE OR SIMILAR DAMAGES. FRANCHISEE AND THE COMPANY WILL PURSUE ANY PROCEEDING ON AN INDIVIDUAL BASIS ONLY, AND NOT ON A CLASS-WIDE OR MULTIPLE PLAINTIFF BASIS; PROVIDED, THAT IF A COURT OR ARBITRATOR DETERMINES THAT THIS TERM OR ANY OTHER PROVISION OF THIS AGREEMENT IS UNENFORCEABLE, THE UNENFORCEABLE TERM SHALL BE SEVERED AND THE BALANCE OF THE AGREEMENT SHALL REMAIN IN FULL FORCE AND EFFECT.”

“23.8 This Agreement shall be governed by and construed in accordance with the laws of the State of California, without giving effect to any conflict of laws, except that i) a breach of the provisions of Section 21.7 covering competition following the expiration, termination or assignment of this agreement shall be governed by the laws of the state in which the breach occurs, and ii) the provisions of any California statute, regulation or law regarding franchises, including the California Franchise Relations Act and the California Franchise Investment Law, shall not apply unless jurisdictional, definitional and other provisions governing the application thereof are met independently of this Section. The parties agree that any action brought by either party against the other in any court, whether federal or state, will be brought within the State of California. The parties consent to the exercise of personal jurisdiction over them by such courts and to the propriety of venue of such courts for the purpose of carrying out this provision, and they waive any objection that they would otherwise have to the same.”

“23.9 Except with respect to Franchisee's obligation to indemnify the Company pursuant to Section 9.3 of this Agreement, the parties waive to the fullest extent permitted by the law any right to or claim for any punitive or exemplary damages against the other and agree that, in the event of a dispute between them, the party making a claim shall be limited to recovery of any actual damages it sustains.”

EXHIBIT “D-1” TO FRANCHISE AGREEMENT

INVESTOR COVENANTS REGARDING CONFIDENTIALITY AND NON-COMPETITION (FOR NON-CALIFORNIA FRANCHISEES)

In conjunction with your investment in _____ (“**Franchisee**”), a _____, the undersigned investor(s) identified below (each an “**Investor**” or “**you**”), acknowledge and agree as follows:

1. Franchisee owns and operates, or is developing, a Broken Yolk Cafe® Restaurant pursuant to a Franchise Agreement dated _____ (“**Franchise Agreement**”) with BYC FRANCHISING, LLC (“BYC”), which Franchise Agreement requires persons with legal or beneficial ownership interests in Franchisee under certain circumstances to be personally bound by the confidentiality and non-competition covenants contained in the Franchise Agreement. All capitalized terms contained herein shall have the same meaning set forth in the Franchise Agreement.
2. You own or intend to own a legal or beneficial ownership interest in Franchisee and acknowledge and agree that your execution of this Covenants Agreement is a condition to such ownership interest and that you have received good and valuable consideration for executing this Covenants Agreement. BYC may enforce this Covenants Agreement directly against you and your Owners (as defined below).
3. If you are a corporation, partnership, limited liability company or other entity, all persons who have a legal or beneficial interest in you (“**Owners**”) must also execute this Covenants Agreement.
4. You and your Owners, if any, may gain access to parts of BYC’s (and its Affiliates’) Confidential Information as a result of investing in Franchisee. The Confidential Information is proprietary and includes trade secrets. You and your Owners hereby agree that you and they have a legal or beneficial ownership interest in Franchisee and thereafter, you and they: (a) will not use the Confidential Information in any other business or capacity (such use being an unfair method of competition); (b) will exert best efforts to maintain the confidentiality of the Confidential Information; and (c) will not make unauthorized copies of any portion of the Confidential Information disclosed in written, electronic or other form. If you or your Owners cease to have an interest in Franchisee, you and your Owners, if any, must deliver to BYC any such Confidential Information in your or their possession.
5. During the term of the Franchise Agreement, you and your Owners, if Investor is a business entity, shall neither directly nor indirectly own, operate, control or have any financial interest in any other business which would constitute a “Competitive Business” (as hereinafter defined and subject to the qualifications stated below). For a period of two (2) years after the termination or expiration of the Franchise Agreement or after the date you are no longer an Investor, whichever period expires first, you and your Owners, if any, agree that you and they will not, without BYC’s consent (which consent may be withheld at BYC’s discretion) directly or indirectly (such as through an Affiliate or through your or their families) own any legal or

beneficial interest in, provide financial support or render services to, or give advice in connection with:

- a. any Competitive Business (as hereinafter defined) located:
 - i. within the Designated Area identified on Exhibit “A” to the Franchise Agreement;
 - ii. within ten (10) miles of Franchisee’s Accepted Site or any other Broken Yolk Cafe restaurant location (whether franchisee, BYC or Affiliate-owned); or
 - iii. within any geographic area (a “**development territory**”) identified in an area development agreement between BYC and a BYC franchisee/developer, which is in effect as of the termination/expiration date of this Agreement; and
 - b. any entity located anywhere that grants franchises for or licenses others to operate any Competitive Business.
 - c. The foregoing shall not apply to operation of a Broken Yolk Cafe® restaurant by you or your Owners pursuant to another Franchise Agreement with BYC or your/their ownership of less than five percent (5%) of the issued or outstanding stock of any company whose shares are listed for trading on any public exchange or on the over-the-counter market, provided that you do not control or become involved in the operations of any such company. For purposes of this Agreement, a “Competitive Business” shall mean a coffee shop or family style restaurant or any other business which offers, provides, or sells (or grants franchises or licenses to others to operate a business that offers, provides, or sells) products and/or services similar to those provided by the BYC franchised business.
6. If you or any of your Owners fail to, or refuse to, abide by any of the foregoing covenants and BYC or its Affiliates obtains enforcement in a judicial or arbitration proceeding, the obligations under the breached covenant will continue in effect for a period of time ending two (2) years after the date such person commences compliance with the order enforcing the covenant.
7. You and each of your Owners expressly acknowledge the possession of skills and abilities of a general nature and the opportunity to exploit such skills in other ways, so that enforcement of the covenants contained in Sections 4 and 5 will not deprive any of you of your personal goodwill or ability to earn a living. If any covenant herein, which restricts competitive activity, is deemed unenforceable by virtue of its scope or in terms of geographic area, type of business activity prohibited and/or length of time, but could be rendered enforceable by reducing any part or all of it, you and we agree that it will be enforced to the fullest extent permissible under applicable law and public policy. BYC or its Affiliates may obtain in any court of competent jurisdiction any injunctive relief, including temporary restraining orders and preliminary injunctions, against conduct or threatened conduct for which no adequate remedy at law may be available or which may cause it irreparable harm. You and each of your Owners acknowledge that any violation of Section 4, 5, or 6 hereof would result in irreparable injury for which no adequate remedy at law may be available. If BYC or its Affiliates files a claim to enforce this Covenants Agreement and prevails in such proceeding, you agree to reimburse said party for all its cost and expense, including reasonable attorneys' fees.

IN WITNESS WHEREOF, the undersigned have executed and delivered this Agreement on ____
_____.

INVESTOR (if Individual(s)):

Signature: _____

Signature: _____

Printed Name: _____

Printed Name: _____

Percentage Ownership in Franchisee:
_____ %

Percentage Ownership in Franchisee:
_____ %

INVESTOR (if Formal Business Entity):

a _____ (Entity Type) of _____ (State)

By: _____

By: _____

Printed Name: _____

Printed Name: _____

Title: _____

Title: _____

Percentage Ownership in Franchisee:
_____ %

OWNERS (if Investor is a Formal Business Entity):

By: _____

Print Name: _____

By: _____

Print Name: _____

By: _____

Print Name: _____

EXHIBIT “D-2” TO FRANCHISE AGREEMENT

INVESTOR COVENANTS REGARDING CONFIDENTIALITY AND NON-COMPETITION (FOR CALIFORNIA FRANCHISEES ONLY)

In conjunction with your investment in _____ (“Franchisee”) a _____ you (“Investor” or “you”), acknowledge and agree as follows:

1. Franchisee owns and operates, or is developing, a Broken Yolk Cafe® Restaurant pursuant to a Franchise Agreement dated _____ (“Franchise Agreement”) with BYC FRANCHISING, LLC (“BYC”), which Franchise Agreement requires persons with legal or beneficial ownership interests in Franchisee under certain circumstances to be personally bound by the confidentiality and non-competition covenants contained in the Franchise Agreement. All capitalized terms contained herein shall have the same meaning set forth in the Franchise Agreement.
2. You own or intend to own a legal or beneficial ownership interest in Franchisee and acknowledge and agree that your execution of this Covenants Agreement is a condition to such ownership interest and that you have received good and valuable consideration for executing this Covenants Agreement. BYC may enforce this Covenants Agreement directly against you and your Owners (as defined below).
3. If you are a corporation, partnership, limited liability company or other entity, all persons who have a legal or beneficial interest in you (“Owners”) must also execute this Covenants Agreement.
4. You and your Owners, if any, may gain access to parts of BYC’s (and its Affiliates’) Confidential Information as a result of investing in Franchisee. The Confidential Information is proprietary and includes trade secrets. You and your Owners hereby agree that you and they have a legal or beneficial ownership interest in Franchisee and thereafter, you and they: (a) will not use the Confidential Information in any other business or capacity (such use being an unfair method of competition); (b) will exert best efforts to maintain the confidentiality of the Confidential Information; and (c) will not make unauthorized copies of any portion of the Confidential Information disclosed in written, electronic or other form. If you or your Owners cease to have an interest in Franchisee, you and your Owners, if any, must deliver to BYC any such Confidential Information in your or their possession.
5. During the term of the Franchise Agreement, for a period of two (2) years thereafter and during such time as you and your Owners, if any, have any legal or beneficial ownership interest in Franchisee, you and your Owners, if any, agree that you and they will not, without BYC's consent (which consent may be withheld at BYC's discretion) directly or indirectly (such as through an Affiliate or through your or their Immediate Families) own, operate, control, have any financial interest in, or render services or

give advice in connection with any Competitive Business located anywhere if the fulfillment of such duties and responsibilities with respect to such Competitive Business would inherently call upon you to disclose and/or use Confidential Information. Provided, that BYC may, in its sole discretion, consent to your continued operation of any business already in existence and operating at the time of execution of the Franchise Agreement. For purposes of this Agreement, a “Competitive Business” shall mean a coffee shop or family style restaurant or any other business which offers, provides, or sells (or grants franchises or licenses to others to operate a business that offers, provides, or sells) products and/or services similar to those provided by the BYC franchised business.

6. The foregoing shall not apply to operation of a Broken Yolk Cafe® restaurant by you and your Owners, if any, pursuant to another franchise agreement with BYC or the ownership by you and your Owners, if any, of less than five percent (5%) of the issued or outstanding stock of any company whose shares are listed for trading on any public exchange or on the over-the-counter market, provided that you or your Owners, if any, do not control or become involved in the operations of any such company.
7. If you or any of your Owners fail to, or refuse to, abide by any of the foregoing covenants and BYC or its Affiliates obtains enforcement in a judicial or arbitration proceeding, the obligations under the breached covenant will continue in effect for a period of time ending two (2) years after the date such person commences compliance with the order enforcing the covenant.
8. You and each of your Owners expressly acknowledge the possession of skills and abilities of a general nature and the opportunity to exploit such skills in other ways, so that enforcement of the covenants contained in Sections 4 and 5 will not deprive any of you of your personal goodwill or ability to earn a living. If any covenant herein, which restricts competitive activity, is deemed unenforceable by virtue of its scope or in terms of geographic area, type of business activity prohibited and/or length of time, but could be rendered enforceable by reducing any part or all of it, you and we agree that it will be enforced to the fullest extent permissible under applicable law and public policy. BYC or its Affiliates may obtain in any court of competent jurisdiction any injunctive relief, including temporary restraining orders and preliminary injunctions, against conduct or threatened conduct for which no adequate remedy at law may be available or which may cause it irreparable harm. You and each of your Owners acknowledge that any violation of Section 4, 5, or 6 hereof would result in irreparable injury for which no adequate remedy at law may be available. If BYC or its Affiliates files a claim to enforce this Covenants Agreement and prevails in such proceeding, you agree to reimburse said party for all its cost and expense, including reasonable attorneys' fees.

IN WITNESS WHEREOF, the undersigned have executed and delivered this Agreement on _____.

INVESTOR (if Individual(s)):

Signature: _____

Signature: _____

Printed Name: _____

Printed Name: _____

Percentage Ownership in Franchisee:
_____ %

Percentage Ownership in Franchisee:
_____ %

INVESTOR (if Formal Business Entity):

a _____ (Entity Type) of _____ (State)

By: _____

By: _____

Printed Name: _____

Printed Name: _____

Title: _____

Title: _____

Percentage Ownership in Franchisee:
_____ %

OWNERS (if Investor is a Formal Business Entity):

By: _____

Print Name: _____

By: _____

Print Name: _____

By: _____

Print Name: _____

EXHIBIT “E” TO FRANCHISE AGREEMENT

AUTHORIZATION AGREEMENT FOR PRE-ARRANGED PAYMENTS
(DIRECT DEBITS)

The undersigned depositor (“**Depositor**”) hereby authorizes BYC Franchising, LLC (“**BYC**”) to initiate debit entries and/or credit correction entries to the Depositor’s checking and/or savings account(s) indicated below and the depository (“**Depository**”) to debit such account pursuant to BYC’s instructions.

Depository	Branch Address
------------	----------------

Street Address, City, State, Zip Code

Bank Transit/ABA Number	Account Number
-------------------------	----------------

This authority is to remain in full force and effect until Depository has received joint written notification from BYC and Depositor of the Depositor’s termination of such authority in such time and in such manner as to afford Depository a reasonable opportunity to act on it. Notwithstanding the foregoing, Depository shall provide BYC and Depositor with thirty (30) days’ prior written notice of the termination of this authority. If an erroneous debit entry is initiated to Depositor’s account, Depositor shall have the right to have the amount of such entry credited to such account by Depository, if within fifteen (15) calendar days following the date on which Depository sent to Depositor a statement of account or a written notice pertaining to such entry or forty-five (45) days after posting, whichever occurs first, Depositor shall have sent to Depository a written notice identifying such entry, stating that such entry was in error and requesting Depository to credit the amount thereof to such account. These rights are in addition to any rights Depositor may have under federal and state banking laws. Depositor shall pay to BYC, and BYC may initiate an additional debit entry to Depositor’s account for, \$100 in the event of insufficient account funds.

[Signatures follow on next page]

DEPOSITOR:

a _____ (Entity Type)
of _____ (State)

Printed Name: _____

By: _____

Date: _____

Printed Name: _____

Title: _____

Date: _____

DEPOSITORY:

By: _____

Printed Name: _____

Title: _____

Date: _____

DEPOSITOR (if an Individual):

Signature: _____

EXHIBIT “F” TO FRANCHISE AGREEMENT

ADA AND RELATED CERTIFICATIONS

(Sign Upon Completion of Restaurant Build Out)

BYC FRANCHISING, LLC, a California limited liability company (“**Company**”) and _____ (“**Franchisee**”) are parties to a franchise agreement dated _____ (the “**Franchise Agreement**”) for the operation of a Traditional Broken Yolk Cafe® Restaurant located at _____ (the “**Franchised Restaurant**”).

In accordance with Section 18.2.1 of the Franchise Agreement, Franchisee certifies to Company that the Franchised Store and its adjacent areas comply with all applicable federal, state and local accessibility laws, statutes, codes, rules, regulations and standards, including but not limited to the Americans with Disabilities Act (“**ADA**”) and all local zoning regulations and building codes. Franchisee acknowledges that it is an independent contractor and the requirement of this certification by Company does not constitute ownership, control, leasing or operation of the Franchised Store. Franchisee acknowledges that Company has relied upon the information contained in this certification. Furthermore, Franchisee agrees to indemnify Company and each and all of its agents, officers, directors and owners or any of the foregoing related to any Affiliate of Company, and the Marketing Fund, in connection with any and all claims, losses, costs, expenses, liabilities, compliance costs, and damages incurred by the indemnified party(ies) as a result of any matters associated with Franchisee’s compliance (or failure to comply) with the ADA, all local zoning regulations and building codes and otherwise, as well as the costs, including attorneys’ fees, related to the same.

FRANCHISEE:

a _____ (Entity Type)
of _____ (State)

By: _____

Printed Name: _____

Title: _____

Date: _____

By: _____

Printed Name: _____

Title: _____

Date: _____

FRANCHISEE (if an Individual):

Signature: _____

Printed Name: _____

Date: _____

Signature: _____

Printed Name: _____

Date: _____

EXHIBIT "G" TO FRANCHISE AGREEMENT

COLLATERAL ASSIGNMENT OF LEASE

THIS COLLATERAL ASSIGNMENT OF LEASE (this "**Assignment**") is entered into as of _____ between _____ ("**Franchisee**") and BYC FRANCHISING, LLC, a California limited liability company ("**Company**").

Subject to the provisions hereof, the Franchisee, to secure its obligations to the Company under the franchise agreement between the Company and the Franchisee for the operation of a Broken Yolk Cafe® Restaurant franchise, dated _____ (the "**Franchise Agreement**"), hereby assigns, transfers and sets over unto Company [and/or such person(s)/entity(ies) as Company may from time-to-time designate] all of Franchisee's right, title and interest, whether as tenant or otherwise, in, to and under that certain lease (the "**Lease**"), a copy of which is attached to this Assignment, dated _____ between Franchisee and _____ ("**Landlord**"), respecting that property commonly known as _____ (the "**Premises**"). The Company shall have no liabilities or obligations of any kind arising from, or in connection with, this Assignment, the Lease or otherwise (including, but not limited to, any obligation to pay rent and/or other amounts) until and unless the Company, in its sole and absolute discretion, takes possession of the Premises pursuant to the terms hereof and expressly assumes in writing the rights and obligations of Franchisee under the Lease. The Company is responsible only for those obligations accruing under the Lease after the date of such assumption.

The Franchisee agrees to indemnify and hold harmless the Company from and against all claims and demands of any type, kind or nature made by the Landlord or any third party that arise out of or are in any manner connected with the Franchisee's use and occupancy of the Premises.

The Franchisee represents and warrants to the Company that the Franchisee has full power and authority to assign the Lease and its interest in the Lease.

The Company will not take possession of the Premises until and unless the Franchisee defaults (and/or until there is a termination, cancellation, rescission or expiration of the Franchisee's rights) under the Lease, any sublease, the Franchise Agreement or another agreement between the Franchisee and the Company (or any Company Affiliates). In such event, the Company (or its designee) shall have the right, and is hereby empowered, but has no obligation, to take possession of the Premises, and expel Franchisee. In such event, Franchisee shall have no further right, title or interest in or under the Lease or to the Premises, all such rights passing to the Company or its designee, in each case without the Landlord's further consent. The Franchisee agrees to do all acts necessary or appropriate to accomplish such assignment on the Company's request. The Franchisee will reimburse the Company for the costs and expenses incurred in connection with any such retaking, including, without limitation, the payment of any back rent and other payments due under the Lease (whether such payments are made by a separate agreement with the Landlord or otherwise), attorney's fees and expenses of litigation

incurred in enforcing this Assignment, costs incurred in re-letting the Premises and costs incurred for putting the Premises in good working order and repair.

Franchisee agrees that it will not suffer or permit any surrender, termination, amendment or modification of the Lease without the prior written consent of Company. Throughout the term of the Franchise Agreement, Franchisee agrees that it shall elect and exercise on a timely basis all options to extend the term, or renew or assume in bankruptcy, the Lease, unless Company consents in writing to an alternative Franchisee site. Upon failure of Franchisee to so elect to extend or renew or assume the Lease, Franchisee hereby appoints Company as its true and lawful attorney-in-fact to exercise such options in the name, place and stead of Franchisee for the sole purpose of effecting any extension, renewal or assumption, in each case for the account of the Franchisee and without any liability or obligation of the Company.

Failure of the Company to exercise any remedy hereunder shall not be construed or deemed to be a waiver of any of its rights hereunder. The rights and remedies of the Company under this Assignment are cumulative and are not in lieu of, but are in addition to, any other rights and remedies which the Company shall have under or by virtue of the Franchise Agreement or otherwise. The terms, covenants, and conditions contained herein shall bind the Franchisee and its successors and assigns, and inure to the benefit of the Company and its successors and assigns. In the event of any dispute between the parties regarding this Assignment, or any matter related in any way to it, the dispute resolution provisions of the Franchise Agreement between the Company and the Franchisee shall apply. The arbitrator in any such proceeding shall have the full power and authority to grant an appropriate award to give full effect to this Assignment, expelling the Franchisee from the Premises and awarding possession to the Company, as well as granting such other relief as may be proper and fair at law and by equity. If there is more than one Franchisee, their obligations hereunder will be joint and several.

This Assignment, any memorandum hereof or any financial statement related hereto may be recorded by, and at the expense of, the Company. The Franchisee hereby appoints the Company as its attorney in fact to execute any and all documents and to take any and all such actions, as are necessary or appropriate to record such instrument referenced above.

Nothing contained in this Assignment shall diminish any obligations or covenants of the Franchisee owed under its Franchise Agreement with the Company, including, without limitation, any post-termination covenant not to compete. Terms not otherwise defined in this Exhibit have the same meanings as stated in the Franchise Agreement. Franchisee and Company shall be bound to this Collateral Assignment regardless of whether or not the attached Landlord Approval is provided by Landlord.

[Signatures follow on next page]

COMPANY:

BYC FRANCHISING, LLC

a California limited liability company

By: _____

Printed Name: John Gelastopoulos

Title: Manager and CEO

Date signed: _____

FRANCHISEE (if Business Entity):

a _____ (Entity Type)

of _____ (State)

By: _____

Printed Name: _____

Title: _____

Date signed: _____

FRANCHISEE (if Individual(s)):

Signature: _____

Printed Name: _____

Date signed: _____

Signature: _____

Printed Name: _____

Date signed: _____

By: _____

Printed Name: _____

Title: _____

Date signed: _____

LANDLORD APPROVAL:

The undersigned Landlord under the Lease hereby:

1. Agrees to notify Company in writing of any proposed Lease amendment and of any default and any failure of Franchisee to cure any default under the Lease, as provided in the Lease Addendum of even date;
2. Agrees that Company shall have the right, but not be obligated, to cure any default by Franchisee as provided in the Lease Addendum of even date;
3. Consents to the foregoing Collateral Assignment and agrees that if Company takes possession of the Premises and confirms to Landlord the assumption of the Lease by Company as tenant, Landlord shall recognize Company, or its Affiliate or designee, as tenant under the Lease;
4. Agrees that Company may further assign the Lease or sublet the Premises to a designee and/or a person or entity who is a franchise owner reasonably acceptable to Landlord. Company will have no further liability under the Lease upon such an assignment. This Approval of Landlord shall apply to any subsequent franchise owner acceptable to Landlord, as provided herein;
5. Agrees to provide a copy of this Collateral Assignment of Lease to any actual and/or prospective purchaser of the Premises.

LANDLORD

By: _____

Its: _____

Address:

Telephone No. _____

Fax No. _____

Email address: _____

PREMISES LEASE ATTACHED
TO COLLATERAL ASSIGNMENT OF LEASE

EXHIBIT "H" TO FRANCHISE AGREEMENT

FORM OF GENERAL RELEASE **(SUBJECT TO CHANGE BY FRANCHISOR)** ***(This Is A Form - NOT for Signature)***

Release - General Provisions. The Franchisee(s), jointly and severally, hereby release and forever discharge each and all of the Company-Related Persons/Entities (as defined below) of and from any and all causes of action, in law or in equity, suits, debts, liens, defaults under contracts, leases, any Sublease Agreement, any Area Development Agreement, or other agreements or promises, liabilities, claims, demands, damages, losses, costs or expenses, of any nature whatsoever, howsoever arising, **known or unknown**, fixed or contingent, past or present, that the Franchisee(s) (or any of them) now has or may hereafter have against all or any of the Company-Related Persons/Entities by reason of any matter, cause or thing whatsoever from the beginning of time to the date hereof (the "**Claims**") excepting only those Claims solely related to the offer and sale of the franchise, where such a release is expressly prohibited by applicable law, it being the mutual intention of the parties that this release be unqualifiedly general in scope and effect and that any Claims against any of the Company-Related Persons/Entities are hereby forever canceled and forgiven.

THE FRANCHISEE(S) ACKNOWLEDGE THAT THEY ARE FAMILIAR WITH THE PROVISIONS OF CALIFORNIA CIVIL CODE SECTION 1542, WHICH PROVIDES 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."

THE FRANCHISEE(S), BEING AWARE OF THIS CODE SECTION, HEREBY EXPRESSLY WAIVE ALL OF THEIR RIGHTS THEREUNDER AS WELL AS UNDER ANY OTHER STATUTES OR COMMON LAW PRINCIPLES OF SIMILAR EFFECT OF ANY APPLICABLE JURISDICTION, INCLUDING, WITHOUT LIMITATION, CALIFORNIA AND/OR JURISDICTIONS OF FRANCHISEE(S)' RESIDENCE AND LOCATION OF FRANCHISED UNIT.

Provided that no provision of this release obligates FRANCHISEE(S) to waive compliance with any provision of the California Franchise Relations Act pertaining to the franchise relationship or of the California Franchise Investment Law in connection with the offer and/or sale of this franchise, if applicable.

The Franchisee(s) expressly assume the risk of any mistake of fact, or fact of which they may be unaware or that the true facts may be other than any facts now known or believed to exist by Franchisee(s), and it is the Franchisee(s) intention to forever settle, adjust and compromise any and all present and/or future disputes with respect to all matters from the beginning of time to the date of this document finally and forever and without regard to who

may or may not have been correct in their understanding of the facts, law or otherwise. All releases given by the Franchisee(s) are intended to constitute a full, complete, unconditional and immediate substitution for any and all rights, claims, demands and causes of action whatsoever which exist, or might have existed, on the date of this document. The Franchisee(s) represent and warrant that they have made such independent investigation of the facts, law and otherwise pertaining to all matters discussed, referred to or released in or by this document as the Franchisee(s), in the Franchisee(s) independent judgment, believe necessary or appropriate. The Franchisee(s) have not relied upon any statement, promise, representation or otherwise, whether of fact, law or otherwise, or lack of disclosure of any fact, law or otherwise, by the Company-Related Persons/Entities or anyone else, not expressly set forth herein, in executing this document and/or the related releases.

Franchisee(s) Initials: ---

No Assignment or Transfer of Interest. The Franchisee(s) represent and warrant that there has been, and there will be, no assignment or other transfer of any interest in any Claims that the Franchisee(s) may have against any or all of the Company-Related Persons/Entities, all Claims having been fully and finally extinguished, and the Franchisee(s) agree to forever indemnify and hold the Company-Related Persons/Entities harmless from any liability, claims, demands, damages, losses, costs, expenses or attorneys' fees incurred by any of the Company-Related Persons/Entities as a result of any person asserting any interest in any of the Claims and/or any voluntary, involuntary or other assignment or transfer, or any rights or claims under any assignment, transfer or otherwise. It is the intention of the parties that this indemnity does not require payment by any of the Company-Related Persons/Entities as a condition precedent to recovery against the Franchisee(s) under this indemnity.

Franchisee(s) Initials: --

Attorneys' Fees. If the Franchisee(s), or anyone acting for, or on behalf of, the Franchisee(s) or claiming to have received, by assignment or otherwise, any interest in any of the Claims, commence, join in, or in any manner seek relief through any suit (or otherwise) arising out of, based upon or relating to any of the Claims released hereunder or in any manner asserts against all or any of the Company-Related Persons/Entities any of the Claims released hereunder, the Franchisee(s) agree to pay all attorneys' fees and other costs incurred by any of the Company-Related Persons/Entities in defending or otherwise responding to said suit or assertion directly to the Company-Related Persons/Entities incurring such costs.

Franchisee(s) Initials: --

"Company-Related Persons/Entities." BYC FRANCHISING, LLC, Company's Affiliates, any advertising fund, including the Marketing Fund, any Franchise Advisory Group/FAC and each of the following, whether past, current or future: companies and/or persons acting through and/or in concert with us and/or with any of the foregoing; partners, shareholders, officers, directors, agents, attorneys, accountants, and/or employees of ours and/or of any of the foregoing; and predecessors, successors and/or assigns of ours and/or of any of the foregoing.

Franchisee(s) Initials: --

Date of Releases, Joint and Several Liability. The releases granted hereunder will be deemed effective as of the date hereof. The liabilities and obligations of each of the Franchisee(s) (and any other person/entity providing releases to the Company-Related Persons/Entities) will be joint and several.

Franchisee(s) Initials: --

The General Release does not apply with respect to claims arising under the Washington Franchise Investment Protection Act, RCW 19.100, and the rules adopted thereunder.

EXHIBIT "I" TO FRANCHISE AGREEMENT

STATE ADDENDA

This is the State Addendum to the Broken Yolk Cafe® Franchise Agreement (the "Agreement") with an effective date of _____ by and between BYC Franchising, LLC ("Company"), a California limited liability company, and _____ ("Franchisee"), a _____ of _____. The terms of this Addendum shall survive the termination or expiration of the Agreement.

The following terms will apply only in the specific state indicated below. By signing in the signature lines that follow the "Washington" provisions, below, you are accepting the terms of this State Addenda which are specific to the state in which you live or operate a franchise, as well as the terms and conditions contained in all other Sections of the Franchise Agreement.

California

1. To the extent that Sections 17 ("Assignment"), 18 ("Default and Termination"), 19 ("Rights and Obligations Upon Termination") and 20 ("Rights to a Successor Franchise") and any other terms of the Agreement are inconsistent with the California Franchise Relations Act (CA. Bus. & Prof. Code §20020, et. seq.), the terms of the statute will control and the applicable Section shall be modified only to the extent required to comply with such law. The parties agree that in no event shall a reasonable opportunity to cure to the extent required under such statute be greater than seventy five (75) days.
2. Section 17.3 and the first paragraph of Section 17.4 of the Agreement are hereby deleted and the following substituted therefore:

17.3 In the event that Franchisee desires to assign all or any part of its rights, privileges and interests under this Agreement, Franchisee shall first offer such Assignment to the Company by notifying the Company in writing of the material terms and conditions. Franchisee shall deliver to Franchisor by business courier or receipted U.S. mail, written notice of Franchisee's intent of Assignment, which notice shall include the proposed assignee(s)' name and address and shall be accompanied by a copy of all agreements and related documents pertaining to the proposed Assignment (including price). Franchisee shall also concurrently provide the Company with the estoppel certificate identified in Section 17.5 below and such other information as needed by the Company to enable the Company to evaluate the offer. The Company shall have the first right, but not the obligation, to acquire said rights, privileges and interests of Franchisee by accepting the offer in accordance with said terms and conditions. Within sixty (60) days of Company's receipt of the notice described above, and all requested information, Company shall notify Franchisee in writing by business courier or U.S. receipted mail of Company's consent or withholding of consent to the proposed Assignment, or in accordance with this Section 17.3, of its acceptance for itself or its nominee of the Assignment on the terms specified in Franchisee's notice. If Company elects not to exercise its right of first refusal and consents to the proposed Assignment, then Franchisee shall be authorized to complete the proposed transaction with the proposed assignee on the terms contained in the original notice to Company and subject to satisfaction of the conditions contained in Sections 17.4 through 17.13, as applicable. Any material change to

any such terms of Assignment shall constitute a new proposal, which shall again require compliance with the procedures provided in this Section 17.3 or as required under applicable state law. Should Company elect to exercise its right of first refusal, Franchisee agrees to promptly make the Assignment to the Company on the stated terms and conditions. Franchisee shall, if requested by the Company, cause Franchisee's lease or sublease, if any, with the lessor for the Accepted Site to be assigned to the Company.

17.4 If, within sixty (60) days after receipt of Franchisee's notice, the Company does not indicate its acceptance of the offer as stated in the notice, Franchisee shall thereafter have the right, subject to the prior written consent of the Company, to make the Assignment to the proposed assignee on the same terms and conditions as stated in the notice. Franchisee acknowledges and agrees that the Company shall be entitled, at its election and without liability to Franchisee, to provide assignee with information relating to the Restaurant, including information in the Company's possession relating to operations and sales. The Company shall not unreasonably withhold its consent to an Assignment provided that the Franchisee and the assignee satisfy such reasonable terms and conditions which may be imposed by the Company as a condition to obtaining the Company's consent, which may include, without limitation, the following: (Section 17.4 a. through h. remain as they originally appear in the Agreement.)

3. The following language is added as Section 17.4 i) of the Agreement.

i) Franchisee shall deliver to Company the assignee's completed application, which shall include all forms, financial disclosures, related documentation and such other information as then may be required to complete Company's evaluation of prospective new franchisees, and shall respond to any request from Company for additional information within fifteen (15) days of receipt of such request.

4. Section 18 of the Agreement is hereby deleted and the following language is substituted therefore:

18.1 In addition to all other available rights and remedies, the Company shall have the right to terminate this Agreement only for "cause." "**Cause**" is defined as a material breach of this Agreement, including but not limited to any of the facts or circumstances specified in Sections 18.2 or 18.3, each of which is a substantial failure to comply with this Agreement.

18.2 In addition to all other available rights and remedies, the Company shall have the right upon the occurrence of any of the following events to terminate this Agreement effective immediately upon giving written notice thereof to Franchisee.

a. Franchisee abandons and fails to operate the Restaurant business for five (5) consecutive days or any shorter period of time after which the Company reasonably determines that Franchisee does not intend to continue to operate the business, unless such failure is due to fire, flood, earthquake or other similar cause beyond Franchisee's control, in which case Franchisee shall comply with each of the requirements set forth in Section 23.17;

b. Franchisee i) admits to an inability to pay its debts as they become due, ii) is declared bankrupt or judicially determined to be insolvent, iii) has a receiver appointed, or iv)

has all of Franchisee's assets, or a substantial portion thereof, assigned to or for the benefit of any creditor;

c. A levy of execution is made upon the Restaurant, the license granted by this Agreement or upon any property used in the Restaurant business, and it is not discharged within five (5) days of such levy;

d. The Restaurant business, equipment or premises are seized, taken over or foreclosed by a creditor, lienholder or lessor, provided that a final judgment rendered against Franchisee remains unsatisfied for at least thirty (30) days and a supersedeas or other appeal bond has not been filed;

e. Franchisee fails to pay any franchise fees or any other amounts due Company or any of Company's Affiliates within five (5) days of receiving written notice that such fees or other amounts are overdue;

f. Franchisee or any of its partners, officers, members, directors or principal shareholders is convicted of a felony or is convicted of any other criminal misconduct that is relevant to the operation of the Restaurant;

g. Franchisee makes any material misrepresentation in connection with the acquisition of the Franchise herein;

h. Franchisee engages in conduct which reflects materially and unfavorably upon Franchisee's operation, the reputation of the Restaurant business, the BYC System, or the goodwill associated with the BYC Marks or the Licensed Assets;

i. Franchisee or any Franchisee Affiliate repeatedly fails to comply with one (1) or more requirements of this Agreement, any Area Development Agreement, any other agreement between Franchisee and the Company or as specified in the Manual, whether or not corrected after notification thereof. A repetition within a one-year (1-year) period of any default shall justify the Company terminating this Agreement upon written notice to the Franchisee without allowance for any curative period;

j. Franchisee fails for a period of ten (10) days after notification of noncompliance, to comply with all licensing, permitting or other government authorization requirements necessary to lawfully operate the Restaurant or with any other federal, state or local laws or regulations applicable to the operation and maintenance of the Restaurant, including, but not limited to, public health and safety and labor law requirements, the Americans with Disabilities Act ("ADA") and all local zoning regulations and building laws/codes/requirements (upon completion of store build out the Company will require that Franchisee certify its compliance with such laws by executing Exhibit "F");

k. Company reasonably determines that continued operation of the Restaurant by Franchisee will result in an imminent danger to public health or safety;

l. Except for non-compliance otherwise covered by Subparagraph 18.2.a. through k., above, Franchisee fails to correct a deficiency or unsatisfactory condition referred to in an Inspection Report which the Company reasonably determines may have a material adverse effect on the ownership or operation of the Restaurant after having received sixty (60) days in which to cure such deficiency or unsatisfactory condition;

m. Franchisee or any Franchisee Affiliate commits a non-curable breach of any covenant, term, or condition of any note or other agreement (including any Broken Yolk Cafe® Area Development Agreement) between Franchisee or any Franchisee Affiliate and the Company (or an Affiliate of the Company), the effect of which is to allow the Company to terminate (or accelerate the maturity of) such agreement before its stated termination (or maturity) date (subject to applicable state law). The foregoing notwithstanding, if any area development agreement between Franchisee or any Franchisee Affiliate and the Company is terminated by the Company solely due to a failure of the developer thereunder to comply with the development schedule, this Franchise Agreement shall not be terminated as long as Franchisee and each Franchisee Affiliate remains in good standing and in full compliance with every note and agreement between the Company and Franchisee or any Franchisee Affiliate.

18.3 Except for any default by Franchisee under Section 18.2, or as otherwise expressly provided in this Agreement, Franchisee shall have sixty (60) days after the Company's written notice of a material default within which to remedy any material default under this Agreement, and to provide evidence of such remedy to the Company. If any such default is not cured within that time period, or such longer time period as applicable law may require or as the Company may specify in the notice of default, this Agreement and all rights granted by it shall thereupon automatically terminate without further notice or opportunity to cure. Franchisee shall be in material default for any failure to comply with any of the lawful requirements imposed by this Agreement. Such material defaults shall include, but are not limited to, the occurrence of any one or more of the following events, each of which shall be a substantial failure to comply with this Agreement:

a. Franchisee fails to pay when due any taxes or similar payments due for the Accepted Site;

b. Franchisee fails to cure any default by Franchisee under any loan, note or other obligation which is obtained to assist Franchisee in making any payment due the Company hereunder or which is secured by all or any part of Franchisee's interest in the Restaurant, the Accepted Site, and/or the improvements or furniture, fixtures or equipment therein

c. The attachment of any involuntary lien in the sum of One Thousand Dollars (\$1,000) or more upon any of the business assets or property of Franchisee, which lien is not removed, or for which Franchisee does not post a bond sufficient to satisfy such lien, within thirty (30) days of the filing of such lien;

d. In the event that Franchisee leases or subleases the Accepted Site and/or the leasehold improvements thereon from a third party, Franchisee fails to cure any and all defaults under the terms and provisions of any such lease or sublease within the time provided for the curing of any such default(s) in any such lease or sublease;

e. Franchisee or any Franchisee Affiliate fails to cure any and all curable defaults under the terms and provisions of any other agreement with the Company, or any third party relating to this franchise or the operation or ownership of the Restaurant, including any other Franchise Agreement, any Area Development Agreement, lease or promissory note between the Company or its Affiliate and Franchisee or any Franchisee Affiliate within the time provided for the curing of any such defaults in any such other agreement, lease or promissory note;

f. Franchisee's misuse or unauthorized use of the Licensed Assets;

g. Franchisee's failure to offer and sell any required menu item, as provided in Section 11.2 a., above;

h. Franchisee's failure to use Company's Approved Suppliers, Distributors or Manufacturers, as provided in Section 11.2, above;

i. Franchisee's offer of products or services that fail to meet Company Specifications, as provided in Section 11.2, above; or

j. Franchisee's failure to comply with any mandatory standard or requirement of this Agreement or the Manual which is not otherwise addressed in this Section 18.

18.4 Notwithstanding anything to the contrary contained in this Section 18, in the event any valid, applicable law of a competent governmental authority having jurisdiction over this Agreement and the parties hereto shall limit the Company's rights of termination hereunder or shall require longer notice periods than those set forth above, this Agreement shall be deemed amended to conform to the minimum notice periods or restrictions upon termination required by such laws and regulations. The Company shall not, however, be precluded from contesting the validity, enforceability or application of such laws or regulations in any action, hearing or dispute relating to this Agreement or the termination thereof.

18.5 The Company shall not, and cannot, be held in breach of this Agreement until (i) Company has received written notice from Franchisee describing in detail any alleged breach; and (ii) the Company has failed to remedy the breach within a reasonable period of time after such notice, which period shall not be less than sixty (60) days plus such additional time as is reasonably required by the Company if because of the nature of the alleged breach it cannot reasonably be cured within said sixty (60) days, provided the Company promptly commences and continues diligently to cure such alleged breach. Except for an uncured breach hereof by the Company (subject to the preceding sentence) or as permitted under Section 23.17 hereof, Franchisee shall have no right to terminate this Agreement. The foregoing notwithstanding, Company shall be entitled to delay its delivery of any goods or services or performance of any obligation due to Franchisee under this Agreement for so long as Franchisee is in default under this Agreement, and no such delay in performance or delivery shall be deemed to be a breach of this Agreement.

18.6 If Company publishes an announcement that it has determined that continued franchising in the state or in the standard metropolitan statistical area (as established by the United States Office of Management and Budget) within the state in which Franchisee's Restaurant is located

is not appropriate for reasons that relate to Company's economic or other interests and that it is completely withdrawing from all franchise activity in such state/area (provided that Company can continue to service existing Franchisees and Area Developers under outstanding agreements), then Company will be considered to have made a general market area withdrawal (a "Market Withdrawal"). A Market Withdrawal shall be considered a lawful basis for termination of the Franchise Agreement and Company shall have no liability to Franchisee therefore.

5. Subsections 19.1 b through d of the Agreement are hereby deleted and the following substituted therefore:

b. Franchisee shall promptly, but in no event later than 30 (thirty) days after the effective date of any expiration or termination, remove, obliterate or destroy all signs and advertisements identifiable in any way with the Company's name and perform such reasonable redecoration and remodeling of the Restaurant and the Accepted Site as may be necessary, in the Company's judgment, to distinguish it from a Broken Yolk Cafe® Restaurant;

c. The Company may retain all fees paid pursuant to this Agreement;

d. Company shall have the right upon termination or non-renewal of the Franchise to purchase from Franchisee at the value of price paid by Franchisee, minus depreciation, Franchisee's inventory, supplies, equipment, fixtures and furnishings (the "Items") purchased or paid for under the terms of this Agreement or an agreement ancillary hereto by Franchisee to Company or to its approved suppliers that are possessed or used by Franchisee in the franchised business at the time of termination or non-renewal. For the purposes of this provision and compliance under and construction of the California Franchise Relations Act (CFRA), the parties agree that such depreciation shall be calculated based on whichever of the two (2) methods prescribed below results in a lower valuation of the Items: i) the Modified Accelerated Cost Recovery System (MACRS) method applied in accordance with the applicable standard U.S. Internal Revenue Service (IRS) schedules effective for the calendar year immediately preceding the calendar year in which the Franchise Agreement terminated or expired and was not renewed; or ii) the last filed depreciation schedules included by Franchisee in an IRS income tax return for the franchised business filed for a calendar year preceding the calendar year in which the Franchise Agreement terminated or expired and was not renewed.

In the event a court or arbitrator finds that Company has terminated or failed to renew this Agreement in violation of the CFRA, the parties agree that the fair market value of the franchised business and franchise assets (the "FMV") for purposes of compliance with the CFRA shall be established in accordance with the following procedure: Company and Franchisee shall mutually select an independent Certified Business Appraiser within thirty (30) days of such court/arbitrator finding. If unable to identify a mutually agreeable Certified Business Appraiser, Company and Franchisee within forty five (45) days of such court/arbitrator finding shall each identify an independent Certified Business Appraiser (the "Designees") and such Designees shall promptly and mutually agree to a third independent Certified Business Appraiser whose determination of the FMV shall be final and binding on the parties. This provision shall survive the termination or expiration of the Franchise Agreement.

6. The following language is added as Section 20.5 of the Agreement:

20.5 If Company publishes an announcement that it has determined that continued franchising in the state or in the standard metropolitan statistical area (as established by the United States Office of Management and Budget) within the state in which Franchisee's Restaurant is located is not appropriate for reasons that relate to Company's economic or other interests and that it is completely withdrawing from all franchise activity in such state/area (provided that Company can continue to service existing Franchisees and Area Developers under outstanding agreements), then Company will be considered to have made a general market area withdrawal, will have no liability to Franchisee therefore and will not be required to offer Franchisee any successor term Franchise (also called a "renewal") or similar rights (a "Market Withdrawal"). Franchisee agrees that if any statute or court decision requires "good cause" (or any similar standard) for non-renewal, Company's compliance with the provisions of this clause will be deemed to be good cause.

7. Section 21.7 is removed and replaced with the following:

21.7 To further protect the BYC System while this Agreement is in effect and for a period of two (2) years thereafter, regardless of the cause of termination, Franchisee and each officer, director, shareholder, member, manager, partner, and other equity owner, as applicable, of Franchisee, if Franchisee is an Entity, shall neither directly nor indirectly own, operate, control, provide services to or have any financial interest in any other business which would constitute a "Competitive Business" (as hereinafter defined) if the fulfillment of such duties and responsibilities with respect to such Competitive Business would inherently call upon Franchisee or such individual to disclose and/or use Confidential Information, without the prior written consent of the Company; provided further, that the Company may, in its sole discretion, consent to the Franchisee's continued operation of any business already in existence and operating at the time of execution of this Agreement. The foregoing shall not apply to operation of a Broken Yolk Cafe® restaurant by Franchisee pursuant to another Franchise Agreement with the Company or the ownership by Franchisee of less than five percent (5%) of the issued or outstanding stock of any company whose shares are listed for trading on any public exchange or on the over-the-counter market, provided that Franchisee does not control or become involved in the operations of any such company. For purposes of this Section 21.7, a "Competitive Business" shall mean a coffee shop or family style restaurant or any other business which offers, provides, or sells (or grants franchises or licenses to others to operate a business that offers, provides, or sells) products and/or services similar to those provided by the franchised business.

No disclaimer, questionnaire, clause or statement signed by a franchisee in connection with the commencement of the franchise relationship shall be construed or interpreted as waiving any claim of fraud in the inducement, whether common law or statutory, as disclaiming reliance on the right to rely on any statement made or information provided by any franchisor, broker, or other person acting on behalf of the franchisor that was a material inducement to a franchisee's investment. This provision supersedes any other or inconsistent term of any document executed in connection with the franchise.

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

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

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

Illinois

Illinois law governs the Franchise Agreement(s).

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.

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

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

No statement, questionnaire, or 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.

Maryland

If Franchisee is a resident of Maryland or if the Franchise is to be operated in Maryland, the following provisions shall apply and shall supersede any provision in this Agreement to the contrary:

1. Any general release required in connection with the renewal, sale, and/or assignment/transfer of a franchise shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.
2. A franchisee may litigate in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.

3. 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 or any liability incurred under the Maryland Franchise Registration and Disclosure Law.
4. Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within 3 years after the grant of the franchise.
5. This franchise agreement provides that disputes are resolved through arbitration. A Maryland franchise regulation states that it is an unfair or deceptive practice to require a franchisee to waive its right to file a lawsuit in Maryland claiming a violation of the Maryland Franchise Law. In light of the Federal Arbitration Act, there is some dispute as to whether this forum selection requirement is legally enforceable.
6. 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.

Washington Addendum to the Franchise Agreement and Related Agreements

The provisions of this Addendum form an integral part of, are incorporated into, and modify the Franchise Disclosure Document, the franchise agreement, and all related agreements regardless of anything to the contrary contained therein. This Addendum applies if: (a) the offer to sell a franchise is accepted in Washington; (b) the purchaser of the franchise is a resident of Washington; and/or (c) the franchised business that is the subject of the sale is to be located or operated, wholly or partly, in Washington.

1. **Conflict of Laws.** In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, chapter 19.100 RCW will prevail.

2. **Franchisee Bill of Rights.** RCW 19.100.180 may supersede provisions in the franchise agreement or related agreements concerning your relationship with the franchisor, including in the areas of termination and renewal of your franchise. There may also be court decisions that supersede the franchise agreement or related agreements concerning your relationship with the franchisor. Franchise agreement provisions, including those summarized in Item 17 of the Franchise Disclosure Document, are subject to state law.

3. **Site of Arbitration, Mediation, and/or Litigation.** 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.

4. General Release. A release or waiver of rights in the franchise agreement or related agreements purporting to bind the franchisee to waive compliance with any provision under the Washington Franchise Investment Protection Act or any rules or orders thereunder is void except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel, in accordance with RCW 19.100.220(2). In addition, any such release or waiver executed in connection with a renewal or transfer of a franchise is likewise void except as provided for in RCW 19.100.220(2).

5. Statute of Limitations and Waiver of Jury Trial. Provisions contained in the franchise agreement or related agreements that unreasonably restrict or limit the statute of limitations period for claims under the Washington Franchise Investment Protection Act, or rights or remedies under the Act such as a right to a jury trial, may not be enforceable.

6. Transfer Fees. Transfer fees are collectable only to the extent that they reflect the franchisor's reasonable estimated or actual costs in effecting a transfer.

7. Termination by Franchisee. The franchisee may terminate the franchise agreement under any grounds permitted under state law.

8. Certain Buy-Back Provisions. Provisions in franchise agreements or related agreements that permit the franchisor to repurchase the franchisee's business for any reason during the term of the franchise agreement without the franchisee's consent are unlawful pursuant to RCW 19.100.180(2)(j), unless the franchise is terminated for good cause.

9. Fair and Reasonable Pricing. Any provision in the franchise agreement or related agreements that requires the franchisee to purchase or rent any product or service for more than a fair and reasonable price is unlawful under RCW 19.100.180(2)(d).

10. Waiver of Exemplary & Punitive Damages. RCW 19.100.190 permits franchisees to seek treble damages under certain circumstances. Accordingly, provisions contained in the franchise agreement or elsewhere requiring franchisees to waive exemplary, punitive, or similar damages are void, except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel, in accordance with RCW 19.100.220(2).

11. Franchisor's Business Judgement. Provisions in the franchise agreement or related agreements stating that the franchisor may exercise its discretion on the basis of its reasonable business judgment may be limited or superseded by RCW 19.100.180(1), which requires the parties to deal with each other in good faith.

12. Indemnification. Any provision in the franchise agreement or related agreements requiring the franchisee to indemnify, reimburse, defend, or hold harmless the franchisor or other parties is hereby modified such that the franchisee has no obligation to indemnify, reimburse, defend, or hold harmless the franchisor or any other indemnified party for losses or liabilities to the extent that they are caused by the indemnified party's negligence, willful misconduct, strict liability, or fraud.

13. Attorneys' Fees. If the franchise agreement or related agreements require a franchisee to reimburse the franchisor for court costs or expenses, including attorneys' fees, such provision applies only if the franchisor is the prevailing party in any judicial or arbitration proceeding.

14. **Noncompetition Covenants.** 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 provision contained in the franchise agreement or elsewhere that conflicts with these limitations is void and unenforceable in Washington.

15. **Non-solicitation Agreements.** 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.

16. **Questionnaires and Acknowledgments.** 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.

17. **Prohibitions on Communicating with Regulators.** Any provision in the franchise agreement or related agreements that prohibits the franchisee from communicating with or complaining to regulators is inconsistent with the express instructions in the Franchise Disclosure Document and is unlawful under RCW 19.100.180(2)(h).

18. **Advisory Regarding Franchise Brokers.** Under the Washington Franchise Investment Protection Act, a "franchise broker" is defined as a person that engages in the business of the offer or sale of franchises. A franchise broker represents the franchisor and is paid a fee for referring prospects to the franchisor and/or selling the franchise. If a franchisee is working with a franchise broker, franchisees are advised to carefully evaluate any information provided by the franchise broker about a franchise.

The undersigned parties do hereby acknowledge receipt of this Addendum.

IN WITNESS WHEREOF, the undersigned have executed and delivered this Agreement on the date first stated above.

COMPANY:

BYC FRANCHISING, LLC

a California limited liability company

By: _____

Printed Name: John Gelastopoulos

Title: Manager and CEO

Date signed: _____

FRANCHISEE (if Business Entity):

a _____ (Entity Type)

of _____ (State)

By: _____

Printed Name: _____

Title: _____

Date signed: _____

By: _____

Printed Name: _____

Title: _____

Date signed: _____

FRANCHISEE (if Individual(s)):

Signature: _____

Printed Name: _____

Date signed: _____

Signature: _____

Printed Name: _____

Date signed: _____

SCHEDULE 1

STATEMENT OF OWNERSHIP OF FRANCHISEE ENTITY

OWNER'S NAME AND ADDRESS

PERCENTAGE OWNED

SCHEDULE 2 TO THE FRANCHISE AGREEMENT

Addendum to Franchise Agreement **For Temporary Reduced Royalty Fees**

(Applies only if ADA entered into between January 1, 2025 and April 30, 2026)

This is an addendum (the “Addendum”) to Franchise Agreement (the “Franchise Agreement”), for a Broken Yolk Café® Restaurant designated for development under the Area Development Agreement (“ADA”) entered into between **January 1, 2025 and April 30, 2026** by BYC Franchising, LLC, a California limited liability company (“Franchisor”), and the Developer or Developer Affiliate named in the ADA, which is also the Franchisee under the Franchise Agreement (“Franchisee”). This Addendum will not apply to any Broken Yolk Café franchise agreement applicable to an area development agreement entered into prior to January 1, 2025 and/or after April 30, 2026. The Effective Date of the Franchise Agreement and this Addendum between Franchisor and Franchisee is _____ (the “Effective Date”).

Terms

1. **Temporary Reduction of Royalty Fees:** Notwithstanding anything to the contrary contained in the Franchise Agreement, Franchisee shall pay Franchisor a reduced Royalty Fee in the amount of Two Percent (2%) of Gross Sales from the opening of the Broken Yolk Café Restaurant described in the Franchise Agreement until the 2-year anniversary after said opening (the “Deferral Period”). Franchisor will defer its right to collect the entire Royalty Fee which would otherwise be due and payable under the Franchise Agreement during the Deferral Period. Royalty Fees will no longer be reduced, will be reinstated in full and due and payable to Franchisor in accordance with the Franchise Agreement, at the expiration of the Deferral Period. No late fees or interest will be imposed upon the portion of Royalty Fee payments deferred hereunder during the Deferral Period; *provided that*, late fees and interest will be imposed on any portion of reduced Royalty Fee payments that remain due and payable to Franchisor under this Addendum which are not timely and fully paid by Franchisee.
2. **Sales and Other Reports:** Franchisee will remain obligated to provide all reports to Franchisor as provided in the Franchise Agreement.
3. **Other Fees:** Franchisee shall fully and timely pay all other fees, including, but not limited to, Franchise Fees, Development Fees, Marketing Fund Fees, as provided in the Franchise Agreement and applicable ADA.
4. **Conditions:** Franchisor’s deferral of Royalty Fees as described in this Addendum is expressly contingent upon the following conditions:
 - a. Franchisee’s full compliance with all the terms and conditions of this Addendum, including the timely delivery of all reports and amounts due to Franchisor;
 - b. Franchisee remits payment of any non-deferred, regularly due and payable other amounts otherwise due and payable, in accordance with the terms of the Franchise Agreement; and

c. Franchisee complies fully with the Franchise Agreement.

5. Non-Transferable: Franchisee agrees that the terms of this Addendum constitute special and individual considerations by the Franchisor and are personal to Franchisee. As such, Franchisee's rights under this Addendum are not transferable.

6. Entire Agreement: This Addendum, inclusive of all recitals, contains the entire agreement among the Parties with respect to the subject matter hereof. All prior or concurrent discussions, negotiations, and representations concerning these matters are superseded by this Addendum.

7. Counterparts: This Addendum may be executed in identical counterparts, which together shall constitute a single document.

8. Modification and Authority to Sign: This Addendum may only be amended by a writing signed by the party against whom enforcement of such amendment is sought. Each of the persons undersigned warrants that he or she is authorized to execute this Addendum on behalf of the party for whom he or she signs.

9. Severability: If any provision of this Addendum is found to be unenforceable as written, then it shall be rewritten and/or construed in a manner and to the extent that least diminishes its scope and inclusiveness in order to make it conform to applicable law and make it enforceable. In no case shall any provision be unenforceable because of such reason, but it shall be rewritten and/or construed to make it enforceable, as the express desire of the Parties is to conform to these agreements as closely and as far as possible.

10. Dispute Resolution: The dispute resolution and other provisions of the Franchise Agreement shall apply to this Addendum and are incorporated herein.

11. Defined Terms: The terms used in this Addendum have the same meaning as they do in the Franchise Agreement, unless they are expressly defined above.

12. Effect of Addendum: To the extent not specifically modified by this Addendum, the remaining terms of the Franchise Agreement remain in full force and effect.

IN WITNESS WHEREOF, the parties, intending to be legally bound, have executed this Addendum on the day and year first above written.

THIS ADDENDUM WILL NOT BECOME EFFECTIVE UNLESS AND UNTIL SIGNED BY FRANCHISOR.

FRANCHISOR:
BYC FRANCHISING, LLC,
a California limited liability company

By: _____
John Gelastopulos, Managing Member

Sign below if “Franchisee” is a natural person
FRANCHISEE (Individual[s]):

Signature

Printed Name

Signature

Printed Name

Sign below if “Franchisee” is a business entity
FRANCHISEE (Corp., LLC or Partnership):

_____, a _____
[Legal Name of Franchisee Entity] [State of Formation] [Corporation,
LLC or Partnership]

By: _____
Signature

Print Name

Title

EXHIBIT E
AREA DEVELOPMENT AGREEMENT

AREA DEVELOPMENT AGREEMENT

THIS AREA DEVELOPMENT AGREEMENT (“Agreement”) is made and entered into this ____ day of _____, 20____, by and between **BYC FRANCHISING, LLC**, a California limited liability company, with its principal place of business at 1851 Garnet Avenue, San Diego, California 92109 (referred to herein as the “Company”) and _____, with its principal place of business at _____ (“Developer”). Terms not otherwise defined herein, shall have the same meaning as set forth in the Broken Yolk Café franchise agreement executed by the parties for the first Broken Yolk Café® restaurant (a “Restaurant”) to be developed under this Agreement.

RECITALS

A. In this Agreement, the words “Licensed Assets” refer to all proprietary and other property rights and interests in and to the Broken Yolk Café® trademarks and service marks, logos, insignias, and commercial symbols (the “BYC Marks”) trade dress, designs, policies, standards, operating procedures, recipes, computer software, trade secrets, trade practices, copyrights, patents, supplier lists, forms, advertising, merchandising techniques, training materials, uniforms, signs, menus and related items, the reputation and goodwill thereof, the Operations Manual (the “Manual”) and all other tangible and intangible property that the Company licenses to Developer to use in connection with the development and operation of Developer’s Broken Yolk Café® Restaurants.

B. The Licensed Assets have been licensed to the Company by its affiliate, BYC, Inc., a California corporation (“Licensor”), in order for the Company to develop a distinctive plan for the operation of full-service, retail, family style restaurants that offer and serve a wide variety of breakfast and lunch menu items and related products and services in connection with the Licensed Assets (collectively, the “BYC System”). For purposes of this Agreement, “Affiliate” is defined as a business entity that controls, is controlled by or is under common control with another entity.

C. Developer represents that it is experienced in, and has independent knowledge of, the nature and specifics of the restaurant business. Developer represents that in entering into this Agreement it has relied solely on its personal knowledge and has not relied on any representations of the Company or any of its officers, directors, employees or agents, except those representations contained in any legally required disclosure document delivered to Developer.

D. Developer desires to obtain development rights from the Company within a specified geographical area (the “Development Territory”) specified in **Exhibit “A”** attached hereto and made a part hereof.

E. The Company is willing to grant the right to develop and open Broken Yolk Café® restaurants within the Development Territory referenced in **Exhibit “A”** in accordance with the

development schedule (the “Development Schedule”) set forth in **Exhibit “B”** and this and all other agreements related to the rights granted hereunder.

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

1.0 Development Rights in Development Territory.

1.1 The Company hereby grants to Developer, subject to the terms and conditions of this Agreement and as long as Developer or any Developer Affiliate shall not be in default of this Agreement or any other development, franchise or other agreement between Developer or any Developer Affiliate and the Company, development rights to establish and operate the number of Restaurants for franchised restaurants as are listed on the attached Development Schedule, and to use the Licensed Assets in accordance with the BYC System at specific locations designated in a separate Broken Yolk Café franchise agreement which will be signed by Developer or a Developer Affiliate for each such Site (each a “Franchise Agreement”) during the term of this Agreement. Developer understands and agrees that it must execute the then-current form of Franchise Agreement in use by the Company at the time of approval of the specific restaurant site by Company. Developer understands that the then-current form of Franchise Agreement may differ in material respects from the Franchise Agreement effective at the time Developer signs this Agreement. Developer’s rights to the Development Territory are protected to the extent that the Company will not, during the term of this Agreement, open a Company-owned or Affiliate-owned Traditional Broken Yolk Café® Restaurant or award a franchise for a Traditional Broken Yolk Café® Restaurant in the Development Territory, subject to the terms and conditions of this Agreement. Developer understands and agrees that any and all future sites or territories must meet Company’s then-current standards and specifications applicable for site selection and designation of territories at the time of the evaluation of such site. Developer expressly acknowledges that the rights granted herein apply only to the development of new restaurants in the Development Territory, subject to the limitations set forth in this Agreement, and that the territory protection granted for the term of any Franchise Agreement is as stated in such Franchise Agreement and not extended or broadened hereby.

1.2 If Developer desires that a business entity (an “Entity”) be designated to hold an interest in this Agreement, Developer shall provide the following for Company’s review and approval prior to Company’s execution of this Agreement, as applicable to the Entity Developer selects (a trust may **not** hold an interest in Developer):

- a. file stamped copy of the Articles of Incorporation (or comparable organizational document) and By-laws, stock certificate(s), a Certificate of Good Standing in the state in which the corporation is authorized to do business and the state in which the corporation will conduct the restaurant business pursuant to this Agreement, and a list of directors, shareholders and officers and their percentage ownership of the stock of the corporation. Each share certificate of a corporation shall contain a restriction on transfer in a form designated by the Company; or

- b. file stamped copy of the Certificate of Limited Partnership (if applicable) or the Statement of Partnership, and a copy of the fully executed Partnership Agreement, containing an exhibit showing the percentage of ownership in the partnership by all partners. The partnership agreement shall contain a restriction on transfer in a form designated by the Company.
- c. Articles of Organization, Certificate of Formation (or comparable organizational document) of Limited Liability Company; a fully executed copy of the operating agreement, containing an exhibit showing the percentage of ownership of all members in the limited liability company; and the name of the manager or managers of the limited liability company. The operating agreement shall contain a restriction on transfer in a form designated by the Company.

2.0 Limitation on Development Rights.

2.1 Developer must enter into binding leases or purchase agreements and have open to the public the prescribed number of Broken Yolk Cafe® Restaurants at sites approved by Company in writing and within the applicable deadline dates, all as set forth on **Exhibit “B”** attached hereto and made a part hereof. A failure to meet any of the Development Schedule requirements, including any site procurement deadline (each, a “Site Procurement Deadline”) and any Restaurant development deadline (each, a “Development Deadline”), is a material breach and good cause for termination of this Agreement.

2.2 For purposes of the Development Schedule in **Exhibit “B,”** no credit will be given for the development of Broken Yolk Cafe® Restaurants outside the Development Territory, regardless of the fact that Developer may, upon proper application, obtain from the Company a Broken Yolk Cafe® Franchise Agreement for any such development.

2.3 Although this Agreement affords the Developer the right to develop and open Broken Yolk Cafe® Restaurants within the Development Territory set forth on **Exhibit “A,”** all Restaurants developed under this Agreement must be duly licensed through individual Franchise Agreements. Developer will execute Company's then-current form of Franchise Agreement in use at the time of execution for each restaurant developed under this Agreement, and agrees to pay the Company the current fees, royalties and other required payments in accordance with the Franchise Disclosure Document then in effect. Execution of the appropriate Franchise Agreement and payment of the Initial Franchise Fee and Training and Pre-opening Support Fee and/or any other required fees must be accomplished prior to the commencement of construction at any site.

2.4 Developer must satisfy all of Company's financial and operational criteria then in effect prior to Company's execution of each Franchise Agreement issued pursuant to this Agreement. Developer shall provide the Company with current information pertaining to Developer's financial condition and the financial condition of the majority and managing members/partners/shareholders of Developer at any time upon Company's request and in no event less than once annually. Developer acknowledges that, among other things, it will be

required to submit annual financial statements of Developer and personal financial statements of each of its principal owners and Managing Members to be eligible for financial approval by Company.

With the assistance of qualified real estate professionals (including licensed brokers), Developer shall use its best efforts to locate one or more proposed sites within one hundred twenty (120) days following commencement of the Franchise Agreement for the first Restaurant to be developed under this Agreement (the “First Site”). For the First Site and each subsequent site proposed to be developed under this Agreement, Developer shall submit all site information as may be reasonably required by the Company to evaluate the proposed site. All proposed sites are subject to Company’s acceptance. The Company shall, provided there exists no default by Developer or any Developer Affiliate under this Agreement or any other development, franchise or other agreement between the Company and Developer or any Developer Affiliate, send a representative to evaluate each site proposed for which Developer has provided all requested information and meets the initial criteria as stated in advance by Company, and shall promptly, but not more than thirty (30) days after receipt of Developer’s complete submission, send to Developer written notice of acceptance or non-acceptance of the site.

Developer or a Developer Affiliate will sign the Franchise Agreement for the First Site, pay all Development Fees due under Section 3.0 below and pay the Initial Franchise Fee and Training and Pre-Opening Support Fee due for Developer’s First Site at the time Developer signs this Agreement. For each site after the First Site, Developer or a Developer Affiliate shall sign Company’s then-current version of Franchise Agreement not later than thirty (30) days after Company’s delivery of the execution version of such Franchise Agreement. Developer or such Developer Affiliate must pay the Company the Initial Franchise Fee and Training and Pre-Opening Support Fee, less the appropriate credits for Development Fees paid by Developer, upon execution of each applicable Franchise Agreement.

2.5 Not less than five (5) months prior to each Development Deadline specified on Exhibit B, Developer shall submit in writing to Company:

- a. a copy of the fully executed lease of the site for a term which lease shall contain the provisions required in Section 4.2 of the applicable Franchise Agreement and renewal options for not less than the initial term of the applicable Franchise Agreement; or
- b. a copy of the fully executed written agreement to purchase the approved site on terms provided herein, subject, only to obtaining necessary governmental permits.

Developer acknowledges that time is of the essence in this Agreement. Developer further acknowledges that Developer shall not enter into a lease, a purchase agreement or any other commitment for a site to be developed under this Agreement without first i) obtaining Company’s written approval of such site, and ii) having mutually executed a Franchise Agreement with Company for such site and paid Company the applicable Initial Franchise Fee and Training and Pre-Opening Support Fee, all as provided in Section 2.4, above.

Developer also acknowledges that this Agreement requires Developer or a Developer Affiliate to open Restaurants in the future pursuant to the Development Schedule. Developer acknowledges that the estimated initial investment and estimated expenses set forth in Items 6 and 7 of the current Franchise Disclosure Document (FDD) are likely to increase over time, and that future Restaurants will likely involve a greater initial investment and capital requirements than those stated in the Franchise Disclosure Document (FDD) provided to Developer prior to execution of this Agreement.

2.6 Developer expressly acknowledges and agrees that the Company and its Affiliates have and expressly reserve the right to (a) operate and license others to operate Non-Traditional Broken Yolk Cafe® Restaurants (as defined below) at any location whether within or outside the Development Territory or a Designated Area under a Franchise Agreement, and (b) merchandise and distribute goods and services identified by the Licensed Assets at any location through any method or channel of distribution, including, without limitation, grocery or convenience stores and via the Internet. Non-Traditional Broken Yolk Cafe® Restaurants shall include all universities, colleges, hospitals, municipal facilities, airports, train stations, public transportation facilities, shopping malls (excluding outparcels), sports stadiums, casinos and gaming venues, military and governmental sites and food courts, drug stores, department stores, truck stops, hotel or motel chains, and similar locations of a "non-traditional" nature, regardless of their proximity to any other Broken Yolk Cafe® Restaurant.

2.7 The purpose of this Agreement is to promote orderly incremental growth within the BYC System. The acquisition of existing Broken Yolk Cafe® Restaurants by Developer does not represent incremental growth and, therefore, does not satisfy the terms of this Agreement pertaining to development.

2.8 Developer acknowledges that (a) the Company and/or its Affiliate have licensed certain franchisees and/or licensees to operate Broken Yolk Cafe Restaurants, and (b) that Developer will use its best efforts to avoid selecting proposed locations that would adversely impact these pre-existing locations in the Development Territory if identified on **Exhibit "C"** hereto and incorporated herein by this reference.

3.0 Development Fee.

Developer shall pay to the Company upon execution of this Agreement a non-refundable development fee (the "Development Fee") equal to Ten Thousand Dollars (\$10,000), in immediately available funds, for each Restaurant to be developed under this Agreement. The Development Fee is non-refundable and is consideration for this Agreement but is not consideration for any Franchise Agreement. However, one half of the Ten Thousand Dollar (\$10,000) Development Fee paid for each Restaurant shall be applied toward the initial franchise fee and the remaining one half applied toward the Training and Pre-Opening Support Fee, payable upon the execution of the Franchise Agreement applicable to each Restaurant. If this Agreement is terminated pursuant to Section 9.0 or 10.0 below, all Development Fees, or any unused portion thereof, shall be forfeited to the Company in consideration of the rights granted in the Development Territory.

4.0 Term of Development Agreement.

This Agreement shall commence on the date specified in **Exhibit "B"**. Unless terminated pursuant to Section 9.0 or 10.0 below, it shall expire upon the earlier of the date by which the last scheduled Restaurant must be open for business (the "Development Deadline") as specified in **Exhibit "B"** or upon the opening of the last Restaurant listed in the Development Schedule.

5.0 Development Territory Conflicts.

5.1 Any continued operation of a restaurant operated by the Company or a franchisee or licensee of the Company or its Affiliate, within the Territory on or before the date of this Agreement shall not be considered to constitute a breach of this Agreement.

5.2 The rights granted Developer in this Agreement are subject to any prior territorial rights of other franchisees which may now exist in the Development Territory, including as listed on **Exhibit "C"** attached hereto, whether or not those rights are currently being enforced. In the event of a conflict in territorial rights, whether under a Franchise Agreement or separate territorial or development agreement, the earlier in time shall prevail. Developer shall be free to negotiate with any person, corporation or other entity, which claims territorial rights adverse to the rights granted under this Agreement, for the assignment of those prior territorial rights. For this purpose, the Company agrees to approve any such assignment not in conflict with the other terms of this Agreement, subject to the condition of any Franchise Agreement involved, and current policies pertaining to assignments, including, but not limited to, satisfaction of all past due debts owed to the Company and the execution of a General Release.

5.3 In the event of third party claims to the right to develop any Development Territory other than those specified above, it is the responsibility of Company, where the right is protected, to maintain Developer's right to the Development of the Development Territory. However, if it appears to Company, in its sole discretion, that protection of the Development Territory by legal action is not advisable, whether due to the anticipation of, or the actual protracted nature of the action, the costs involved, the uncertainty of outcome, or otherwise, the Company has the right to terminate this Agreement, provided that it refunds to Developer the balance, if any, of the Development Fee made pursuant to Section 3.0, which has not been applied against the initial franchise fees for Franchise Agreements to be acquired under this Agreement.

6.0 Proprietary Rights of Broken Yolk Cafe®.

6.1 Developer expressly acknowledges Company's and/or its Affiliate's exclusive right, title, and interest in and to the Licensed Assets, and Developer agrees not to represent in any manner that Developer has any ownership in the Licensed Assets. This Agreement is not a Franchise Agreement. Developer may not open a Broken Yolk Cafe® Restaurant or use the Licensed Assets at a particular site until it executes a Franchise Agreement for that site. Developer's use of the Licensed Assets shall be limited to those rights granted under each individual Franchise Agreement. Notwithstanding the foregoing, the Company may authorize

Developer in writing to use certain of the Licensed Assets in connection with advertising and marketing activities in connection with this Agreement. Developer expressly agrees that such usage is limited to those specific activities or promotional materials approved by Company's marketing department in advance. Developer further agrees that its use of the Licensed Assets shall not create in its favor any right, title, or interest in or to Licensed Assets, but that all of such use shall inure to the benefit of Company, and that Developer has no rights to the Licensed Assets except to the degree specifically granted by the individual Franchise Agreements. Building designs and specifications, color schemes and combinations, sign design specifications, and interior building layouts (including equipment, equipment specification, equipment layouts, and interior color schemes and combinations) are acknowledged by Developer to comprise part of the BYC System. Developer shall have no right to license or franchise others to use the Licensed Assets by virtue of this Agreement. All franchises granted under this Agreement are for Developer's sole ownership, use and operation and no sub-franchise or subletting rights are granted under this Agreement.

6.2 Developer acknowledges that, in connection with its execution of this Agreement, it may receive confidential and proprietary information regarding the BYC System. Developer recognizes the unique value and secondary meaning attached to the Licensed Assets and the BYC System, and Developer agrees that any non-compliance with the terms of this Agreement or any unauthorized or improper use will cause irreparable damage to the Company and its franchisees. Developer, therefore, agrees that if it should engage in any such unauthorized or improper use during, or after, the term of this Agreement, the Company shall be entitled to both seek temporary and permanent injunctive relief from any court of competent jurisdiction in addition to any other remedies prescribed by law.

7.0 Insurance, Indemnification and Personal Guaranty.

7.1 During the term of this Agreement, Developer shall obtain and maintain insurance coverage for public liability, including products liability, in the amount of at least One Million Dollars (\$1,000,000) combined single limit. Developer also shall carry such worker's compensation insurance as may be required by applicable law. Upon the execution of each Franchise Agreement, Developer also shall obtain and maintain the insurance coverages required under each Franchise Agreement.

7.2 The Company shall be named as an additional insured on all such insurance policies and shall be provided with certificates of insurance evidencing such coverage. All public liability and property damage policies shall contain a provision that Company, although named as an insured, shall nevertheless be entitled to recover under such policies on any loss incurred by Company, its Affiliates, agents and/or employees, by reason of the negligence of Developer, its principals, contractors, agents and/or employees. All policies shall provide the Company with at least thirty (30) days' notice of cancellation or termination of coverage.

7.3 The Company reserves the right to specify reasonable changes in the types and amounts of insurance coverage required by this Section 7.0. In the event that Developer fails or refuses to obtain or maintain the required insurance coverage from an insurance carrier acceptable to the Company, the Company may, in its sole discretion and without any obligation

to do so, procure such coverage for Developer. In such event, Developer agrees to pay the required premiums or to reimburse such premiums to the Company upon written demand.

7.4 Developer agrees to defend, at its own cost and with counsel of Company's choosing, to indemnify and hold harmless the Company, its parent corporations, Affiliates, shareholders, directors, officers, employees and agents (each an "Indemnitee") from and against any and all loss, costs, expenses (including, without limitation, attorneys' fees), damages and liabilities, however caused, resulting directly or indirectly from or pertaining to the use, condition, construction, equipping, decorating, maintenance or operation of any and all Broken Yolk Cafe® Restaurants, any labor or other employee related claims of any kind. Such loss, costs, expenses, damages, liabilities and claims shall include, without limitation, those arising from the death or injury to any person, or arising from damage to the property of Developer or the Company, their Affiliates, agents or employees, or any third person, firm or corporation, whether or not such losses, costs, expenses, damages, liabilities or claims were actually or allegedly caused, in whole or in part through the negligence of the Company or any of its Affiliates, agents or employees, or resulted from any strict liability imposed on the Company or any of its Affiliates, agents or employees. Developer acknowledges that Developer's obligations to each Indemnitee hereunder expressly apply to claims from persons employed by or providing services to Developer involving allegations of a violation the Fair Labor Standards Act, the Occupational Safety and Health Act, any state workers' compensation act, any state unemployment compensation benefit law or regulation, or any other federal, state or local employment or employee benefit law or regulation, and regardless of the basis of the alleged liability, whether joint employer, ostensible agency, vicarious liability or otherwise. Company will have the right to control all litigation to which it is a party and to defend and/or settle any claim in such manner as Company considers appropriate, without affecting Company's or each Indemnitee's rights under this indemnity. Developer acknowledges that this obligation to indemnify and reimburse each Indemnitee for costs and expenses, as described above, applies to any action or proceeding or legal matter of any kind in which one or more Indemnitee is/are named or involved and which also involves this Agreement and/or Developer's business, including any administrative actions or investigations and appellate, post judgment or bankruptcy proceedings. All amounts payable by Developer under this Section 7.5 are due upon demand. Developer is entitled to appoint separate independent counsel to represent Developer's interests in such suits, proceedings, or claims, all at Developer's expense.

7.5 Personal Guaranty by Owners.

If Developer is an Entity, the Company can require at its sole option and as a condition to the effectiveness hereof, (i) that any or all of Developer's shareholders, members, partners, other equity owners, and the spouse(s) or domestic partner(s), if any, of such individuals, be personally bound to this Agreement; and/or (ii) that any or all of the shareholders, members, partners, other equity owners, and the spouse(s) or domestic partner(s), if any, of such individuals, as applicable, of an Entity and or some other natural persons associated with Developer, sign the written guarantee and assumption of Developer's obligations hereunder as set forth more fully in **Exhibit "D"** attached to this Agreement and incorporated herein by this reference.

8.0 Transfer of Rights.

8.1 This Agreement shall inure to the benefit of the Company, its successors and assigns. Company has the right to transfer or assign, in its sole discretion and without Developer's consent, any or all of its assets, including the right to transfer or assign its rights and obligations under this Agreement.

8.2 The parties acknowledge that this Agreement is personal in nature with respect to Developer, being entered into by the Company in reliance upon and in consideration of the personal skills, qualifications and trust and confidence reposed in Developer and Developer's present partners, managing members or officers if Developer is a partnership, a limited liability company or a corporation. Therefore, the rights, privileges and interests of Developer under this Agreement shall not be assigned, sold, transferred, leased, divided or encumbered, voluntarily or involuntarily, in whole or in part, by operation of law or otherwise without the prior written consent of the Company, which consent may be given or withheld in the Company's sole discretion. For purposes of this Section, a sale of assets, stock, or any membership or partnership interest in Developer, or a merger or other combination of Developer shall be considered a transfer of Developer's interest prohibited hereunder. Company may choose among other things to apply the provisions applicable to transfers as contained in the most current Franchise Agreement between Developer and the Company, including those regarding rights of first refusal, to any transfer of this Agreement or any right or interest of Developer hereunder. Developer shall comply with all applicable document and notice requirements under applicable state law relating to the proposed transfer. Any assignment by Developer must be accompanied by a concurrent assignment to the same assignee of all of Developer's interests in each Restaurant developed pursuant to this Agreement and each related Franchise Agreement. The Company reserves the right to approve or disapprove any Transfer in its sole discretion. This Agreement shall not be deemed to diminish in any way any rights of first refusal and/or rights of repurchase held by the Company under any Franchise Agreement with Developer, whether effective now or in the future. If the Company purchases substantially all of the operating assets of the Development Units, or all of Developer's franchises are terminated or repurchased, Developer will have no rights, and the Company will have no obligations, under this Area Development Agreement. The Company's consent to transfer will be conditioned upon Developer's payment of a nonrefundable transfer fee of Five Thousand Dollars (\$5,000), in addition to any such fees due under the applicable unit Franchise Agreements. This area development transfer fee may be reduced or waived in our sole and absolute discretion.

9.0 Termination by Developer; Rights Cease.

This Agreement shall terminate immediately upon the Company's receipt of Developer's notice to terminate, subject to the Development Fee forfeiture provisions of Section 3.0 hereof. Upon the termination or expiration of this Agreement, all rights of Developer herein shall cease and all unapplied or unused Development Fees paid pursuant to Section 3.0 hereof shall be forfeited to the Company. Developer shall have no renewal or successor rights under this Agreement. The post termination provisions including, indemnity, confidentiality, dispute resolution and as otherwise specified in the Franchise Agreement between the parties of even

date for the First Site, or in the guaranty or elsewhere, will remain in full force and effect and survive any such termination or expiration.

10.0 Events of Default.

10.1 The following events shall constitute a default by Developer, which shall result in the Company's right to declare the immediate termination of this Agreement.

- a. Failure by Developer to meet the requirements of the Development Schedule within the time periods specified therein as set forth in **Exhibit "B"** and Section 2.5 above, including any Site Procurement Deadline and Development Deadline.
- b. Any attempted assignment, transfer or sublicense of this Agreement by Developer without the prior written consent of the Company.
- c. Any violation by Developer or any Developer Affiliate of any non-curable covenant, term, or condition of any note or other agreement (including any Broken Yolk Cafe® Franchise Agreement) between Developer or any Developer Affiliate and the Company (or an Affiliate of the Company).
- d. Developer's assignment for the benefit of creditors or admission in writing of its inability to pay its debts generally as they become due.
- e. Any order, judgment, or decree entered adjudicating Developer bankrupt or insolvent.
- f. Any petition, or application, by Developer to any tribunal for the appointment of a trustee, receiver, or liquidator of Developer (or a substantial part of Developer's assets), or commencement by Developer of any proceedings relating to Developer under any bankruptcy, reorganization, compromise, arrangement, insolvency, readjustment of debt, dissolution, or liquidation law of any jurisdiction, whether now or hereinafter in effect.
- g. Any filing of a petition or application against Developer, or the commencement of such proceedings, in which Developer, in any way, indicates its approval thereof, consent thereto, or acquiescence therein; or the entry of any order, judgment, or decree appointing any trustee, receiver, or liquidator, or approving the petition in any such proceedings, where the order, judgment, or decree remains unstayed and in effect for more than thirty (30) days.
- h. Any entry in any proceeding against the Developer of any order, judgment, or decree, which requires the dissolution of Developer, where such order, judgment, or decree remains unstayed and in effect for more than thirty (30) days.

- i. Developer's voluntary abandonment of any of Developer's Restaurants as defined in the applicable Franchise Agreement.

10.2 The following events shall constitute a default by Developer, which shall result in the Company's right to declare the termination of this Agreement, if such default is not cured within thirty (30) days after written notice by Company to Developer.

- a. Developer's default in the performance or observance of any covenant, term, or condition contained in this Agreement not otherwise specified in Section 10.1 above, or of any curable covenant, term, or condition of any note or other agreement (including any Broken Yolk Cafe® Franchise Agreement) between Developer or any Developer Affiliate and the Company (or an Affiliate of the Company).

- b. The creation, incurrence, assumption, or sufferance to exist of any lien, encumbrance, or option whatsoever upon any of Developer's property or assets, whether now owned or hereafter acquired, the effect of which substantially impairs Developer's ability to perform or observe any covenant, term, or condition of this Agreement.

- c. Any attempted change, transfer or conveyance ("Transfer") in the ownership of Developer, which Transfer has not been approved in advance by the Company. The Company reserves the right to approve or disapprove any Transfer in its sole discretion.

11.0 Effect of Termination.

11.1 Immediately upon the effective date of any termination or expiration of this Agreement, for any reason, all of Developer's development rights granted pursuant to this Agreement shall revert to the Company. If the termination is due solely to Developer's failure to comply with the Development Schedule then Restaurants operating or to be operated under the Broken Yolk Cafe® System by virtue of a fully executed Franchise Agreement shall be unaffected by the termination of this Agreement so long as each such Restaurant is in good standing and in full compliance under its respective Franchise Agreement. The Company shall have no duty to execute any Franchise Agreement with Developer after the termination of this Agreement. The foregoing remedies are nonexclusive, and nothing stated in this Section 11 shall prevent the Company's pursuit of any other remedies available to the Company in law or at equity due to the termination of this Agreement or to any breach of any Franchise Agreement or other agreement between Developer or any Developer Affiliate and Company.

11.2 Developer understands and agrees that immediately upon the effective date of any expiration or termination of this Agreement (or loss of any protected development rights that have been granted to you in the Area Development Agreement), the Company or its subsidiaries or Affiliates, in their sole discretion, may open and/or operate Restaurants in the Development Territory, or may authorize or franchise others to do the same, whether it is in competition with or in any other way affects the sales at Developer's Restaurants.

12.0 Non-Waiver.

The Company's consent to, or approval of, any act or conduct of Developer requiring such consent or approval shall not be deemed to waive or render unnecessary the Company's consent to, or approval of, any subsequent act or conduct hereunder.

13.0 Independent Contractor and Indemnification.

13.1 This Agreement does not constitute Developer as an agent, legal representative, joint venturer, partner, employee or servant of the Company for any purpose whatsoever, and it is understood between the parties hereto that Developer shall be an independent contractor and is in no way authorized to make any contract, agreement, warranty or representation on behalf of the Company. The parties agree that this Agreement does not create a fiduciary relationship between them.

13.2 Under no circumstances shall the Company be liable for any act, omission, contract, debt, or any other obligation of Developer. Developer shall indemnify and hold the Company harmless against any such claim and the cost of defending it arising directly or indirectly from, or as a result of, or in connection with, Developer's actions pursuant to this Agreement. Company is not and shall not be construed to be a joint employer with Developer as to Developer's employees and contractors. Developer has sole control over hiring, firing, discipline, wages, scheduling, benefits and other employment terms and conditions of Developer's employees and contractors. While Company may from time to time provide information about various laws, regulations and ordinances and safety or legal guidelines, Developer is solely responsible for identifying and complying with all such laws, regulations and ordinances applicable to a Restaurant and its operation and/or to Developer's business operations under this Agreement, including without limitation and to the extent applicable, the Fair Labor Standards Act, the Occupational Safety and Health Act, any state wage and hour or workers compensation act, any state unemployment compensation benefit law or regulation, or any other federal, state or local employment-related or employee benefit laws or regulations.

13.3 Developer shall grant no security interest in Developer's business or any of its assets, including the furniture, fixtures and equipment located in the Restaurants, unless the secured party agrees that in the event of any default by Developer under any documents relating to such security interests, the Company shall have the right and option to purchase the rights of the secured party in any such business, furniture, fixtures, equipment or assets at the fair market value of such assets.

14.0 Entire Agreement.

This Agreement, including Exhibits attached hereto, constitutes the entire, full and complete agreement between the Company and Developer concerning the subject matter hereof and supersedes any and all prior written agreements. No other representations have induced Developer to execute this Agreement, and there are no representations, inducements, promises, or agreements, oral or otherwise, between the parties, not embodied herein, which are

of any force or effect with reference to this Agreement or otherwise. However, nothing in this or any related agreement is intended to disclaim the representations made by Company in any Disclosure Document that was furnished to Developer by Company. No amendment or modification of this Agreement shall be binding on either party unless written and fully executed.

15.0 Severability.

Each section, part, term and/or provision of this Agreement shall be considered severable, and if, for any reason, any section, part, term and/or provision herein is determined to be invalid, contrary to, or in conflict with, any existing or future law or regulation, by any court or agency having valid jurisdiction, then such shall be deemed not to be a part of this Agreement, but such shall not impair the operation of, or affect the remaining portions, sections, parts, terms and/or provisions of this Agreement, which will continue to be given full force and effect and bind the parties hereto.

16.0 Applicable Law; Choice of Forum.

This Agreement, after review by Developer and the Company, shall be governed by and construed in accordance with the laws of the State of California, without giving effect to any conflict of laws, except that, i) the provisions of any California law or regulation regarding franchises, including the California Franchise Investment Law and the California Franchise Relations Act, will not apply unless jurisdictional, definitional and other requirements for the application of such statute or regulation are met independently of this Section, and ii) the provisions of Section 18 shall be construed and enforced in accordance with the laws of the state where the claimed breach of Section 18 occurs. The provisions of Sections 22, 23.8 and 23.9 of the Franchise Agreement between the parties of even date for the First Site are incorporated in and will apply to this document as if fully set forth herein and shall apply to any dispute involving the Company and Developer (Copies of Sections 22, 23.8 and 23.9 of the Franchise Agreement are attached as **Exhibit “E”** to this Agreement for ease of reference). The term “Developer” is substituted on such **Exhibit “E”** for the term “Franchisee”, and “Area Development Agreement” is substituted for “Franchise Agreement.”

17.0 Document Interpretation.

All terms and words used in this Agreement, regardless of the number and gender in which they are used, shall be deemed and construed to include the singular or plural tense, and any gender, whether masculine, feminine or neuter, as the context or sense of this Agreement or any paragraph or clause may require, the same as if such words had been fully and properly written in the appropriate number or gender. In the event of a conflict in the language, terms, or conditions between this Agreement and any Franchise Agreement issued pursuant to this Agreement, the Franchise Agreement shall control. Whenever in this Agreement terms such as “Company’s sole and absolute discretion”, “reasonable business judgment” and/or “sole discretion” occur, and whenever Company exercises a right, prescribes an action or thing, or otherwise makes a choice or uses its discretion, Developer and Company agree that Company has the express, unrestricted right to make decisions and/or take (or refrain from taking) actions,

as Company deems appropriate. Company shall exercise such discretion based on its assessment of the interests which Company considers appropriate and shall not be required to consider Developer's individual interests or the interests of any other particular franchisee(s). Company has this right even if a particular decision/action may have negative consequences for Developer, a particular developer or a group of developers. Any Developer request for approval or consent as required under this Agreement must be submitted to Company in writing, and any grant by Company of any such approval or consent must be in writing to be effective.

18.0 Covenant Not to Compete.

18.1 To further protect the BYC System: i) while this Agreement is in effect, Developer and each officer, director, shareholder, member, manager, partner, and other equity owner, as applicable, of Developer, if Developer is an Entity, shall neither directly nor indirectly own, operate, control, provide services to or have any financial interest in any other business which would constitute a "Competitive Business" (as hereinafter defined and subject to the qualifications stated in subsection (c), below); and ii) for a period of two (2) years after the termination or expiration of this Agreement, regardless of the cause of termination or non-renewal, Developer and each officer, director, shareholder, member, manager, partner, and other equity owner, as applicable, of Developer, if Developer is an Entity, will not, without the Company's consent, (which consent may be withheld at the Company's discretion) directly or indirectly (such as through an affiliate or through your or their families) own any legal or beneficial interest in, provide financial support or render services to, or give advice in connection with:

- a. any Competitive Business (as hereinafter defined and subject to the qualifications of subsection c., below) located:
 - i) within the Designated Area identified on Exhibit A of any Franchise Agreement between Developer and the Company;
 - ii) within ten (10) miles of an Accepted Site under any Franchise Agreement between Developer and the Company or within ten (10) miles of any other Broken Yolk Café restaurant location (whether Franchisee, the Company or affiliate-owned), or
 - iii) within Developer's Development Territory, as described in this Agreement, or within any geographic area (a "development territory") identified in any other area development agreement between Franchisor and another BYC franchisee/developer, which is in effect as of the termination/expiration date of this Agreement; and
- b. any entity located anywhere that grants franchises for or licenses others to operate any Competitive Business.
- c. The Company may, in its sole discretion, consent to the Developer's continued operation of any business already in existence and operating at the time of execution of this Agreement. The foregoing shall not apply to operation of a Broken Yolk Café® Restaurant by Developer pursuant to

another franchise agreement with the Company or the ownership by Developer of less than five percent (5%) of the issued or outstanding stock of any company whose shares are listed for trading on any public exchange or on the over-the-counter market, provided that Developer does not control or become involved in the operations of any such company. For purposes of this Section 18.1, a Competitive Business shall mean a coffee shop or family style restaurant or any other business which offers, provides, or sells (or grants franchises or licenses to others to operate a business that offers, provides, or sells) products and/or services similar to those provided by the franchised business.

18.2 In the event that any provision of Section 18.1 shall be determined by a court of competent jurisdiction to be invalid or unenforceable, this Agreement shall not be void, but such provision shall be limited to the extent necessary to make it valid and enforceable.

19.0 Notice.

All notices required under this Agreement shall be in writing and shall be either (i) served personally; (ii) sent by certified or registered United States mail to the party to be charged with receipt thereof; or (iii) sent by reputable overnight delivery service (FedEx and Airborne Express being deemed acceptable). Notices served personally are effective immediately on delivery and those served by mail shall be deemed given seventy two (72) hours after deposit of such notice in a United States post office with postage pre-paid and duly addressed to the party to whom such notice or communication is directed. Notices served by overnight delivery shall be deemed to have been given the day after deposit of such notice with such service. The address for the Company shall be: Attention: John Gelastopoulos, BYC Franchising, LLC, 1851 Garnet Avenue, San Diego, California 92109, and the address for the Developer shall be the address listed on “Exhibit B” of this Agreement. Company or Developer may from time to time change its address for notice pursuant to this Section by giving written notice of such change to the other party in the manner provided herein.

20.0 Section Headings.

The section headings appearing in this Agreement are for reference purposes only and shall not affect, in any way, the meaning or interpretation of this Agreement.

21.0 Acknowledgments.

21.1 Developer acknowledges that it has received Company’s Franchise Disclosure Document, as well as a complete copy of this Agreement, the Franchise Agreement, and the attachments thereto, if any, at least fourteen (14) calendar days prior to the date on which this Agreement was executed.

21.2 Developer acknowledges that it has read and understands this Agreement, the Franchise Agreement, the attachments thereto and the agreements relating thereto contained in the Franchise Disclosure Document received by Developer and that the Company has accorded

Developer ample opportunity and has encouraged Developer to consult with advisors of Developer's own choosing about the potential benefits and risks of entering into this Agreement.

IN WITNESS WHEREOF, the parties hereto have duly executed this Agreement in duplicate original as of the date and year first written above.

THE COMPANY:

BYC FRANCHISING, LLC

a California limited liability company

By: _____

Printed Name: John Gelastopoulos

Title: Manager and Chief Executive Officer

DEVELOPER:

a _____ (Entity Type)

By: _____

Printed Name: _____

Title: _____

By: _____

Printed Name: _____

Title: _____

DEVELOPER: (if an Individual):

Signature: _____

Printed Name: _____

Signature: _____

Printed Name: _____

EXHIBIT "A" TO AREA DEVELOPMENT AGREEMENT

DEVELOPMENT TERRITORY

(See attached map).

Note: Boundary lines include only the area within the boundary line and extend only to the middle of the boundary demarcation (for example, only to the middle of a street or highway). You have no rights under this Agreement or otherwise with respect to a facility on the other side of the boundary line, street or highway or otherwise, and no matter how close to such boundary a facility may be, regardless of the distance from, impact on, or vicinity of, your BYC Development Territory or the number of Broken Yolk Cafe® Restaurants, other outlets or otherwise in any area or market.

Developer Initials:

EXHIBIT "B" TO AREA DEVELOPMENT AGREEMENT

DEVELOPMENT SCHEDULE

RESTAURANT	"SITE PROCUREMENT DEADLINE" IS THE DATE SET FORTH BELOW BY WHICH YOU MUST DELIVER A FULLY-EXECUTED LEASE OR PURCHASE AGREEMENT TO US. THE SITE PROCUREMENT DEADLINE IS NO LATER THAN 5 MONTHS PRIOR TO THE DEVELOPMENT DEADLINE.	"DEVELOPMENT DEADLINE": IS THE DATE SET FORTH BELOW BY WHICH THE RESTAURANT MUST OPEN FOR BUSINESS.
1		
2		
3		
4		
5		
6		

*DEVELOPER MUST NOT SIGN A LEASE/PURCHASE AGREEMENT FOR A SITE TO BE DEVELOPED UNDER THIS AGREEMENT WITHOUT: i) OBTAINING COMPANY'S PRIOR WRITTEN ACCEPTANCE OF SUCH SITE; ii) SIGNING COMPANY'S THEN-CURRENT FORM OF FRANCHISE AGREEMENT FOR SUCH ACCEPTED SITE; AND iii) PAYING COMPANY ANY APPLICABLE INITIAL FRANCHISE FEES.

DEVELOPER NAME: _____

PRINCIPALS: _____

NOTICE ADDRESS: _____

FAX NUMBER: _____

EMAIL: _____

DEVELOPMENT AGMT COMMENCEMENT DATE: _____

DEVELOPMENT AGMT EXPIRATION DATE:

The expiration date is the last Development Deadline date, as provided above, for the final Restaurant required to be developed under this Agreement, unless an earlier expiration occurs as provided in Section 4.0.

DEVELOPMENT FEE (SECTION 3.0): \$ _____

Developer(s) Initials: _____

EXHIBIT "C" TO AREA DEVELOPMENT AGREEMENT

**EXISTING BROKEN YOLK CAFE RESTAURANTS
IN THE DEVELOPMENT TERRITORY**

The Broken Yolk Cafe Restaurants listed below are located in the Development Territory as of the date of this Agreement:

Address(es):

EXHIBIT "D" TO AREA DEVELOPMENT AGREEMENT

PERSONAL GUARANTY

The undersigned hereby unconditionally guarantees, absolutely and irrevocably, the performance and payment by Developer (as defined below) of, and expressly agrees to adopt and be bound by, each and all of the terms, covenants and conditions of that certain Area Development Agreement dated _____, 20____ (the "Agreement") between BYC Franchising, LLC., a California limited liability company ("the Company") whose address is 1851 Garnet Avenue, San Diego, California 92109 and _____ ("Developer") whose address is _____. The undersigned further agrees as follows:

1. This guaranty will continue unchanged by any bankruptcy, reorganization or insolvency of Developer or by any disaffirmance or abandonment by a trustee of Developer.
2. This covenant and agreement on the part of the undersigned shall continue in favor of the Company notwithstanding any extension, modification or alteration of the Agreement entered into by and between the parties thereto, or their successors or assigns, and no extension, termination, rescission, expiration, award of a successor franchise, modification, alteration or assignment of the Agreement shall in any manner diminish, release or discharge the undersigned unless otherwise expressly so provided by the terms of a definitive agreement signed by Developer and the Company.
3. The liability of the undersigned under this guaranty shall be primary and in any right of action which shall accrue to the Company under the Agreement, the Company may, at its option, proceed against the undersigned without having commenced any action or having obtained any judgment against Developer.
4. The undersigned shall pay the Company's reasonable attorneys' fees and all costs and other expenses incurred in any collection or attempted collection or in any negotiations relative to the obligations contained in or the enforcement of this guaranty against the undersigned, individually and jointly only if final judgment is entered in favor of the Company.
5. The undersigned hereby waives notice of any demand by the Company as well as any notice of default in the payment of any and all amounts contained or reserved in the Agreement.
6. All sums due under this guaranty shall bear interest from the date due until the date paid at the maximum contract rate permitted by law. The obligations under this guaranty include, without limitation, payment when due of any and all sums due under the Agreement and all damages to which the Company is or may be entitled whether under applicable law, indemnification payments and payment of any and all legal fees, courts costs and litigation expenses incurred by the Company in endeavoring to collect or enforce any of the foregoing against Developer, the undersigned, or in connection with any property securing any or all of the foregoing or this guaranty.

7. The undersigned agrees that one or more successive or concurrent actions may be brought on this guaranty, in the same action in which Developer may be sued or in separate actions, as often as deemed advisable by the Company. The obligations under this guaranty are joint and several, and independent of the obligations of Developer.

8. No election in one form of action or proceeding, or against any party, or on any obligation, shall constitute a waiver of the Company's right to proceed in any other form of action or proceeding or against any other party. The failure of the Company to enforce any of the provisions of this guaranty at any time or for a period of time shall not be construed to be a waiver of any such provision or the right thereafter to enforce the same. All remedies under this guaranty shall be cumulative and shall be in addition to all rights, powers and remedies given to the Company by law or under any other instrument or agreement.

9. All rights, benefits and privileges under this guaranty shall inure to the benefit of, and be enforceable by, the Company and its successors and assigns and shall be binding upon the undersigned and his heirs, representatives, successors and assigns. Neither the death of the undersigned nor notice thereof to the Company shall terminate this guaranty as to his estate, and, notwithstanding the death of the undersigned or notice thereof to the Company, this guaranty shall continue in full force and effect. The provisions of this guaranty may not be waived or amended except in writing executed by the undersigned and a duly authorized representative of the Company.

10. The undersigned represents and warrants that (i) it is in the undersigned's direct interest to assist Developer in procuring the Agreement, because Developer has a direct or indirect corporate or business relationship with the undersigned, (ii) this guaranty has been duly and validly authorized executed and delivered and constitutes the binding obligation of the undersigned, enforceable in accordance with its terms, and (iii) the execution and delivery of this guaranty does not violate (with or without the giving of notice, the passage of time, or both) any order, judgment, decree, instrument or agreement to which the undersigned is a party or by which it or its assets are affected or bound.

11. If any provision of this guaranty or the application thereof to any party or circumstance is held invalid, void, inoperative, or unenforceable, the remainder of this guaranty and the application of such provision to other parties or circumstances shall not be affected thereby, the provisions of this guaranty being severable in any such instance. This guaranty is the entire and only agreement between the undersigned and the Company respecting the guaranty of the Agreement, and all representations, warranties, agreements, or undertakings heretofore or contemporaneously made, which are not set forth in this guaranty, are superseded.

12. Any notice which a party shall be requested or shall desire to give to the other under this guaranty shall be given by personal delivery or by depositing the same in the United States mail, first class postage pre-paid, addressed to the Company at its address set forth above and to the undersigned at its address set forth above, and such notices shall be deemed duly given on the date of personal delivery or three (3) days after the date of mailing as aforesaid. Either party may change their address for purposes of receiving notices under this guaranty by giving written notice thereof to the other party in accordance with this section.

13. The provisions of Sections 22, 23.8 and 23.9 of the Broken Yolk Café Franchise Agreement signed by Developer concurrently with the execution of the Area Development Agreement are incorporated in and will apply to this document as if fully set forth herein and shall apply to any dispute involving the Company and any of the undersigned. (Copies of Sections 22, 23.8 and 23.9 of the Franchise Agreement are attached as **Exhibit “E”** of the Area Development Agreement for ease of reference). The term “Developer” is substituted on such Exhibit E for the term, “Franchisee”, and “Area Development Agreement” is substituted for “Franchise Agreement.”

The undersigned waives and relinquishes any rights it may have under California Civil Code 2845, 2849 and 2850 or otherwise to require the Company to (a) proceed against Developer or any other guarantor, pledgor or person liable under the Agreement; (b) proceed against or exhaust any security for the Developer or this guaranty; or (c) pursue any other remedy in the Company’s power whatsoever. In other words, the Company may proceed against the undersigned for the obligations guaranteed without first taking any action against Developer or any other guarantor, pledgor or person liable under the Agreement and without proceeding against any security. The undersigned shall not have, and hereby waives (a) any right of subrogation, contribution, indemnity and any similar right that the undersigned may otherwise have, (b) any right to any remedy which the Company now has or may hereafter have against Developer, and (c) any benefit of any security now or hereafter held by the Company. The undersigned waives (a) all presentments, demands for performance, notices of non-performance, protests, notices of protests and notices of dishonor; (b) all other notices and demands to which the undersigned might be entitled, including without limitation notice of all the following: the acceptance hereof; any adverse change in Developer’s financial position; any other fact which might increase the undersigned’s risk; any default, partial payment or non-payment under the Area Development Agreement and any changes, modifications, or extensions thereof; and any revocation, modification or release of any guaranty of any or all of the Agreement by any person (including without limitation any other person signing this guaranty); (c) any defense arising by reason of any failure of the Company to obtain, perfect, maintain or keep in force any security interest in any property of Developer or any other person; (d) any defense based upon or arising out of any bankruptcy, insolvency, reorganization, arrangement, readjustment of debt, liquidation or dissolution proceeding commenced by or against Developer or any other guarantor or any person liable under the Agreement.

Without limiting the generality of the foregoing or any other provision of this guaranty, the undersigned expressly waives any and all benefits which might otherwise be available to it under California Civil Code 2839 (which provides that a surety is exonerated by the performance or the offer of performance of the principal obligation), 2899 (which provides for the order of resort to different funds held by the creditor) and 3433 (which provides for the right of a creditor to require that another creditor entitled to resort to several sources of payments first resort to sources not available to the first creditor). The undersigned waives the rights and benefits under California Civil Code 2819 and agrees that by doing so its liability shall continue even if the Company alters any obligations under the Agreement in any respect or the Company’s rights or remedies against Developer are in any way impaired or suspended without the undersigned’s consent. The Company may without notice assign this guaranty in whole or in part.

14. The undersigned has had the opportunity to review this guaranty with its counsel and such counsel has explained to it the meaning and significance of the provisions of this guaranty, including but not limited to the waivers and consents contained in this guaranty, and answered any questions that it had regarding the meaning, significance and effect of the provisions of this guaranty.

The use of the singular herein shall include the plural. The obligations of two or more parties shall be joint and several. The terms and provisions of this guaranty shall be binding upon and inure to the benefit of the respective successors and assigns of the parties herein named.

IN WITNESS WHEREOF, the undersigned executed this guaranty on _____, 20____.

OWNER/PRINCIPAL:

Signature: _____

Printed Name: _____

OWNER/PRINCIPAL:

Signature: _____

Printed Name: _____

SPOUSE OR DOMESTIC PARTNER:

Signature: _____

Printed Name: _____

SPOUSE OR DOMESTIC PARTNER:

Signature: _____

Printed Name: _____

EXHIBIT "E" TO AREA DEVELOPMENT AGREEMENT

APPLICABLE DISPUTE RESOLUTION, CLASS ACTION & DAMAGES TERMS

Sections 22, 23.8 and 23.9 of the Broken Yolk Cafe Franchise Agreement for the First Site signed concurrently with the Area Development Agreement, as referenced in Section 16 of the Area Development Agreement and in Section 13 of the Personal Guarantee, are included below. The term “Developer” has been substituted below for the term, “Franchisee”:

“22. DISPUTE RESOLUTION

22.1 Arbitration. Except as qualified below, any dispute between Developer and the Company or any of its Affiliates arising under, out of, in connection with or in relation to this Agreement, any lease or sublease for any Restaurant location, the parties’ relationship, or the Broken Yolk Cafe® business shall be resolved by final and binding arbitration in accordance with the Rules for Commercial Arbitration (the “Rules”) of the American Arbitration Association under the authority of the Federal Arbitration Act (the “Federal Act”) as supplemented by the laws of the state of California (to the extent not inconsistent with the Federal Act). The arbitration shall take place in San Diego County, California or at such other place as may be mutually agreed-upon by the parties. The parties shall select an arbitrator within ten (10) days after the filing of a demand and submission in accordance with the Rules. If the parties fail to agree upon an arbitrator or fail to agree to an extension of the selection period, the arbitration shall take place before an arbitrator selected in accordance with the Rules. The arbitrator shall be selected by the Company and shall be an individual with experience in franchise law or franchise relations. The decision or award by the arbitrator shall be final and binding on all parties to the dispute. A judgment may be entered upon the arbitration award by any court having jurisdiction, subject to the provisions of Section 23.8. The parties specifically waive any right they may have to apply to any court for relief from the provisions of this Agreement or from any decision of the arbitrator made prior to the award. The award of the arbitrator shall not have any precedential or collateral estoppel effect on any other controversy involving the Company or its Affiliates. The arbitrator shall decide any questions relating in any way to the parties’ agreement to arbitrate, including arbitrability, applicability, subject matter, timeliness, scope, remedies, and any alleged fraud in the inducement, or purportedly void or voidable provisions of the Agreement. The arbitrator can issue summary orders disposing of all or part of a dispute and provide for temporary restraining orders, preliminary injunctions, injunctions, attachments, claim and delivery proceedings, temporary protective orders, receiverships and other equitable and/or interim/final relief. The subpoena powers of the arbitrator with respect to witnesses to appear at the arbitration proceeding shall not be subject to any geographical limitation. Arbitrators in any proceeding under this Section 22.1 will apply all applicable law, and a failure to apply the applicable law in accordance with Section 23.8 will be deemed an act in excess of authority and reviewable by the courts, and the parties expressly agree that any arbitration award can be reviewed and overturned by a court for legal error.

22.2 Dispute Options.

The obligation to arbitrate shall not apply to:

- a. Controversies relating to the use and protection of the Licensed Assets or BYC System, including without limitation, appropriate injunctive relief for the alleged infringement thereof.
- b. Any claim under a lease or sublease for unlawful detainer or similar remedies available to a landlord or for the enforcement of landlord's rights under any lease, sublease or other document governing the real estate assets used in the operation of the Restaurant.
- c. Either party shall be entitled to seek preliminary or interim injunctive or provisional relief by the court or by arbitration under Section 22.1, or by a court in aid of arbitration (including, but not limited to, a temporary restraining order and preliminary injunction, all without bond) without showing or proving any actual damage, until such time as a final and binding determination is made in the proceeding. The foregoing equitable remedies shall be in addition to, and not in lieu of, all other remedies or rights which a party might otherwise have by virtue of any breach of this Agreement by the other party.

22.3 Terms Applicable to All Proceedings; Damages Limitation; Waiver of Class Action.
UNWAIVABLE RIGHTS TO PUNITIVE, EXEMPLARY, MULTIPLE OR SIMILAR DAMAGES FRANCHISEE OR COMPANY MAY HAVE UNDER ANY STATUTE OR REGULATION SHALL BE FULLY EFFECTIVE. OTHERWISE AND TO THE EXTENT PERMITTED BY LAW, ANY RECOVERY ON ANY CLAIM UNDER THIS AGREEMENT SHALL BE LIMITED TO ACTUAL DAMAGES SUSTAINED BY THE INJURED PARTY, WITH ALL PARTIES WAIVING CLAIMS FOR PUNITIVE, EXEMPLARY, MULTIPLE OR SIMILAR DAMAGES. DEVELOPER AND THE COMPANY WILL PURSUE ANY PROCEEDING ON AN INDIVIDUAL BASIS ONLY, AND NOT ON A CLASS-WIDE OR MULTIPLE PLAINTIFF BASIS; PROVIDED, THAT IF A COURT OR ARBITRATOR DETERMINES THAT THIS TERM OR ANY OTHER PROVISION OF THIS AGREEMENT IS UNENFORCEABLE, THE UNENFORCEABLE TERM SHALL BE SEVERED AND THE BALANCE OF THE AGREEMENT SHALL REMAIN IN FULL FORCE AND EFFECT.

23.8 This Agreement shall be governed by and construed in accordance with the laws of the State of California, without giving effect to any conflict of laws, except that i) a breach of the provisions of Section 21.7 covering competition following the expiration, termination or assignment of this agreement shall be governed by the laws of the state in which the breach occurs, and ii) the provisions of any California statute, regulation or law regarding franchises, including the California Franchise Relations Act and the California Franchise Investment Law, shall not apply unless jurisdictional, definitional and other provisions governing the application thereof are met independently of this Section. The parties agree that any action brought by either party against the other in any court, whether federal or state, will be brought within the State of California. The parties consent to the exercise of personal jurisdiction over them by such courts

and to the propriety of venue of such courts for the purpose of carrying out this provision, and they waive any objection that they would otherwise have to the same.

23.9 Except with respect to Developer's obligation to indemnify the Company pursuant to the Area Development Agreement, the parties waive to the fullest extent permitted by the law any right to or claim for any punitive or exemplary damages against the other and agree that, in the event of a dispute between them, the party making a claim shall be limited to recovery of any actual damages it sustains."

EXHIBIT “F” TO AREA DEVELOPMENT AGREEMENT

STATE ADDENDA

This is the State Addendum to the Broken Yolk Cafe® Area Development Agreement (the “Agreement”) with an effective date of _____ by and between BYC Franchising, LLC, a California limited liability company, and _____ (“Developer”), a _____ area developer. The terms of this Addendum shall survive the termination or expiration of the Agreement.

The following terms will apply only in the specific state indicated below. By signing in the signature lines that follow the “Washington” provisions, below, you are accepting the terms of this State Addenda which are specific to the state in which you live or operate a franchise, as well as the terms and conditions contained in all other Sections of the Franchise Agreement.

California

1. To the extent that Sections 8 (“Transfer of Rights”), 10 (“Events of Default”), 11 (“Effect of Termination”) and any other terms of the Agreement are inconsistent with the California Franchise Relations Act (CA. Bus. & Prof. Code §20020, et. seq.), the terms of the statute will control and the applicable Section shall be modified only to the extent required to comply with such law. The parties agree that in no event shall a reasonable opportunity to cure to the extent required under such statute be greater than seventy five (75) days.

2. The following language is added to Section 8.2 of the Agreement:

Additionally, Developer shall deliver to Company by business courier or receipted U.S. mail, written notice of Developer’s intent to transfer, which notice shall include the proposed transferee(s)’ name and address and shall be accompanied by a copy of all agreements and related documents pertaining to the proposed transfer. Developer also shall deliver to Company the proposed transferee(s)’ completed application, which shall include all forms, financial disclosures, related documentation and such other information as then may be required to complete Company’s evaluation of prospective new Area Developers, and shall respond to any request from Company for additional information within fifteen (15) days of receipt of such request.

3. The following language is inserted as Section 8.3 of the Agreement.

In addition to Company’s right to choose to apply the provisions applicable to transfers as contained in the most current Franchise Agreement between Developer and the Company, as provided in Section 8.2, above, Company shall have a right of first refusal to accept the terms of any proposed transfer. To enable Company to exercise its right of first refusal, Developer shall deliver to Company the written notice of transfer described in Section 8.2, above, and shall comply with all applicable document requests and notice requirements under applicable state law. Within sixty (60) days of Company’s receipt of such notice and all requested information, Company shall notify Developer, in writing by

business courier or U.S. receipted mail, of Company's consent or withholding of consent to the proposed transfer, or accept for itself or its nominee the transfer on the terms specified in the notice and subject to the provisions stated herein. If Company elects not to exercise its right of first refusal and consents to the proposed transfer, then Developer shall be authorized to complete the proposed transaction with the proposed transferee on the terms in the original notice to Company and subject to satisfaction of the conditions contained in 8.2, above. Any material change to any such transfer terms shall constitute a new proposal, which shall again require compliance with the procedures provided in this Section.

4. Sections 10.1 and 10.2 of this Agreement are hereby deleted and the following substituted therefore:

10.1 The following events shall constitute a default by Developer, which shall result in the Company's right to declare the immediate termination of this Agreement upon delivery to Developer of written notice thereof, each of which is deemed to be a substantial failure to comply with this Agreement:

- a. Developer abandons any of Developer's Restaurants, as provided in the termination provisions of the applicable Franchise Agreement.*
- b. Developer i) admits to an inability to pay its debts as they become due, ii) is declared bankrupt or judicially determined to be insolvent, iii) has a receiver appointed, or iv) has all or a substantial part of the assets thereof assigned to or for the benefit of any creditor;*
- c. A levy of execution is made upon any of Developer's Restaurants or upon any property used in the Restaurant business, and it is not discharged within five (5) days of such levy;*
- d. The Developer's business, equipment or premises are seized, taken over or foreclosed by a creditor, lienholder or lessor, provided that a final judgment rendered against Developer remains unsatisfied for at least thirty (30) days and a supersedeas or other appeal bond has not been filed;*
- e. Developer fails to pay any franchise fees or any other amounts due Company or any of Company's Affiliates within five (5) days of receiving written notice that such fees or other amounts are overdue;*
- f. Developer or any of its partners, officers, members, directors or principal shareholders is convicted of a felony or is convicted of any other criminal misconduct that is relevant to the operation of the Restaurant;*
- g. Any material misrepresentation is made by Developer in connection with the acquisition of the Area Development rights granted herein;*

h. *Developer engages in conduct which reflects materially and unfavorably upon the operation, the reputation of Developer's business or any of Developer's Restaurant businesses, the BYC System, or the goodwill associated with the BYC Marks or the Licensed Assets;*

i. *Developer or any Developer Affiliate repeatedly fails to comply with one (1) or more requirements of this Agreement, any Franchise Agreement, any other agreement between Developer and the Company or as required under any Manual, whether or not corrected after notification thereof. A repetition within a one-year (1-year) period of any default shall justify the Company terminating this Agreement upon written notice to the Developer without allowance for any curative period;*

j. *Developer fails, for a period of ten (10) days after notification of noncompliance, to comply with all federal, state or local laws or regulations applicable to the operation and maintenance of the Developer's business or any of Developer's Restaurants, including, but not limited to, public health and safety and labor law requirements, the Americans with Disabilities Act ("ADA") and all local zoning regulations and building laws/codes/requirements;*

k. *Company reasonably determines that continued operation of any Restaurant by Developer will result in an imminent danger to public health or safety; and*

l. *Developer or any Developer Affiliate commits a non-curable breach of any covenant, term, or condition of any note or other agreement (including any Broken Yolk Cafe® Franchise Agreement) between Developer or any Developer Affiliate and the Company (or an Affiliate of the Company), the effect of which is to allow the Company to terminate (or accelerate the maturity of) such agreement before its stated termination (or maturity) date (subject to applicable state law).*

10.2 *The following events shall constitute a default by Developer, which shall result in the Company's right to terminate this Agreement, if such default is not cured within sixty (60) days after Developer's receipt of written notice thereof by the Company. Each such default is and shall be deemed to be a substantial failure to comply with this Agreement:*

a. *Developer's default in the performance or observance of any covenant, term, or condition contained in the Agreement and not otherwise specified in Section 10.1 above, or of any curable covenant, term, or condition of any note or other agreement (including any Broken Yolk Cafe® Franchise Agreement) between Developer or any Developer Affiliate and the Company (or an Affiliate of the Company);*

b. *The creation, incurrence, assumption, or sufferance to exist of any lien, encumbrance, or option whatsoever upon any of Developer's property or*

assets, whether now owned or hereafter acquired, the effect of which substantially impairs Developer's ability to perform or observe any covenant, term, or condition of this Agreement;

c. Any attempted change, transfer or conveyance ("Transfer") of an interest in the ownership of Developer, Developer's business as contemplated under this Agreement, or the assets thereof, which Transfer has not been approved in advance by the Company; and

*d. Failure by Developer to meet the requirements of the Development Schedule within the time periods specified therein as set forth in **Exhibit "B"** and Section 2.5 of the Agreement, including any Site Procurement Deadline and Development Deadline.*

5. The following language is inserted as Section 11. 3 of the Agreement:

11.3. Company shall have the right upon termination or non-renewal of the Agreement to purchase from Developer at the value of price paid by Developer, minus depreciation, Developer's inventory, supplies, equipment, fixtures and furnishings (the "Items") purchased or paid for under the terms of this Agreement or an agreement ancillary hereto by Developer to Company or to its approved suppliers that are possessed or used by Developer in the franchised business at the time of termination or non-renewal. For the purposes of this provision and compliance under and construction of the California Franchise Relations Act (CFRA), the parties agree that such depreciation shall be calculated based on whichever of the two (2) methods prescribed below results in a lower valuation of the Items: i) the Modified Accelerated Cost Recovery System (MACRS) method applied in accordance with the applicable standard U.S. Internal Revenue Service (IRS) schedules effective for the calendar year immediately preceding the calendar year in which the Agreement terminates or expires; or ii) the last filed depreciation schedules included by Developer in an IRS income tax return for the franchised business filed for a calendar year preceding the calendar year in which the Agreement terminates or expires. Developer shall provide Company a true and complete copy of such income tax return and related schedules within five (5) business days of Company's request. Developer shall further provide Company clear title to, and possession of any such Items. Company can offset against the amounts owed to Developer any amounts owed by Developer to Company.

In the event a court or arbitrator finds that Company has terminated or failed to renew this Agreement in violation of the CFRA, the parties agree that the fair market value of the franchised business and franchise assets (the "FMV") for purposes of compliance with the CFRA shall be established in accordance with the following procedure: Company and Developer shall mutually select an independent Certified Business Appraiser within thirty (30) days of such court/arbitrator finding. If unable to identify a mutually agreeable Certified Business Appraiser, Company and Developer within forty five (45) days of such

court/arbitrator finding shall each identify an independent Certified Business Appraiser (the “Designees”) and such Designees shall promptly and mutually agree to a third independent Certified Business Appraiser whose determination of the FMV shall be final and binding on the parties. This provision shall survive the termination or expiration of the Area Development Agreement.

Section 18.1 is removed and replaced with the following:

18.1 To further protect the BYC System while this Agreement is in effect, and for two (2) years thereafter, Developer and each officer, director, shareholder, member, manager, partner and other equity owner, as applicable, of Developer, if Developer is an entity, shall neither directly nor indirectly own, operate, control, provide services to or have any financial interest in any other business which would constitute a “Competitive Business” (as hereinafter defined) if the fulfillment of such duties and responsibilities with respect to such Competitive Business would inherently call upon the Developer or such person, as applicable, to disclose and/or use Confidential Information, without the prior written consent of the Company; provided further, that the Company may, in its sole discretion, consent to the Developer’s continued operation of any business already in existence and operating at the time of execution of this Agreement. The foregoing shall not apply to operation of a Broken Yolk Cafe® Restaurant by Developer pursuant to a franchise agreement with the Company or the ownership by Developer of less than five percent (5%) of the issued or outstanding stock of any company whose shares are listed for trading on any public exchange or on the over-the-counter market, provided that Developer does not control or become involved in the operations of any such company. For purposes of this Section 18.1, a Competitive Business shall mean a coffee shop or family style restaurant or any other business which offers, provides, or sells (or grants franchises or licenses to others to operate a business that offers, provides, or sells) products and/or services similar to those provided by the franchised business.

No disclaimer, questionnaire, clause or statement signed by a franchisee in connection with the commencement of the franchise relationship shall be construed or interpreted as waiving any claim of fraud in the inducement, whether common law or statutory, as disclaiming reliance on or the right to rely on any statement made or information provided by any franchisor, broker, or other person acting on behalf of the franchisor that was a material inducement to a franchisee’s investment. This provision supersedes any other or inconsistent term of any document executed in connection with the franchise.

Illinois

Illinois law governs the Franchise Agreement(s).

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.

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

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

No statement, questionnaire, or 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.

Maryland

If Franchisee is a resident of Maryland or if the Franchise is to be operated in Maryland, the following provisions shall apply and shall supersede any provision in this Agreement to the contrary:

1. Any general release required in connection with the renewal, sale, and/or assignment/transfer of a franchise shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.
2. A franchisee may litigate in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.
3. 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 or any liability incurred under the Maryland Franchise Registration and Disclosure Law.
4. Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within 3 years after the grant of the franchise.
5. This franchise agreement provides that disputes are resolved through arbitration. A Maryland franchise regulation states that it is an unfair or deceptive practice to require a franchisee to waive its right to file a lawsuit in Maryland claiming a violation of the Maryland Franchise Law. In light of the Federal Arbitration Act, there is some dispute as to whether this forum selection requirement is legally enforceable.
6. 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.

Washington Addendum to the Area Development Agreement, Franchise Agreement and Related Agreements

RCW 19.100.180, which may supersede the area development 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 area development agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise.

In any arbitration involving a franchise purchased in Washington, the arbitration site shall be either in the state of Washington, or in a place mutually agreed upon at the time of the arbitration, or as determined by the arbitrator. 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.

In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, Chapter 19.100 RCW shall prevail.

A release or waiver of rights executed by a franchisee shall not include rights under the Washington Franchise Investment Protection Act 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, 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 Area Development Agreement, the State of Washington will require that the franchise fees be released proportionally with respect to each franchised business."

The franchisor uses the services of a franchise broker 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. Carefully evaluate any 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.

Section 21.2 of the Area Development Agreement does not apply in Washington.

"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.

IN WITNESS WHEREOF, the undersigned have executed and delivered this Agreement on the date first stated above.

COMPANY:
BYC FRANCHISING, LLC
a California limited liability company

By: _____ Date signed: _____

Printed Name: John Gelastopoulos
Title: Manager and CEO

FRANCHISEE:

a _____ (State/Entity Type)

By: _____

Printed Name: _____

Title: _____

Date signed: _____

By: _____

Printed Name: _____

Title: _____

Date signed: _____

FRANCHISEE (if an Individual):

Signature: _____

Printed Name: _____

Date signed: _____

Signature: _____

Printed Name: _____

Date signed: _____

SCHEDULE 1 TO AREA DEVELOPMENT AGREEMENT
STATEMENT OF OWNERSHIP OF AREA DEVELOPER ENTITY

OWNER'S NAME AND ADDRESS

PERCENTAGE OWNED

EXHIBIT F

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EXHIBITS G-1 – G-3

**LISTS OF CURRENT FRANCHISEES, FRANCHISEES WHO LEFT THE
SYSTEM IN 2024 AND AFFILIATE-OWNED RESTAURANTS**

EXHIBIT G-1

FRANCHISED LOCATIONS AS OF DECEMBER 31, 2024

Name	Address	City	State	Zip	Phone
Phoenix Cafes1, LLC*	2970 E. Germann Rd.	Chandler	AZ	85286	480-207-1160
Huevos Café, LLC	2034 E. Southern Ave.	Mesa	AZ	85204	480-892-9655
Arizona Breakfast Ventures, LLC*	1928 East Highland Ave., #SF01	Phoenix	AZ	85016	480-389-3303
BYC Yuma, LLC	1731 E 16 th St.	Yuma	AZ	85365	858-774-3637
MOC Restaurant II, LLC*	8010 Beach Blvd.	Buena Park	CA	90620	657-385-4901
La Costa BYC, LLC	7670 El Camino Real	Carlsbad	CA	92009	760-943-8182
Black Eight Foods, LLC*	884 Eastlake Parkway	Chula Vista	CA	91914	619-338-9655
Kotami, Inc.*	1501 Rimpau Ave., Suite 101	Corona	CA	92881	951-530-9655
MOC Restaurants II, LLC*	2701 Harbor Blvd., Suite E6	Costa Mesa	CA	92626	657-231-6708
All In The Family III, LP	2642 Del Mar Heights	Del Mar	CA	92014	858-509-9655
Eyer Restaurants, Inc.	3049 Imperial Ave.	El Centro	CA	92243	760-352-9655
BYC RSD, LLC	2963 Jamacha Rd	El Cajon	CA	92019	619-825-9975
MBF Foods, LLC*	1436 S. Harbor Blvd.	Fullerton	CA	92832	909-210-7349
Big Huevos Holdings, LLC	670 S. Grand Ave.	Glendora	CA	91741	626-852-9655
OC Breakfast Ventures, LLC*	3988 Barranca Pkwy	Irvine	CA	92606	949-335-5534
BYC – La Quinta, LLC	78430 Highway 111	La Quinta	CA	92253	760-777-9655
Kotami, Inc.	2488 Foothill Blvd	La Verne	CA	91750	909-593-9655
OC Breakfast LLC*	28621 Marguerite Pkwy	Mission Viejo	CA	92692	949-388-0292
West Coast Taco Company, LLC	3030 Plaza Bonita Road, #1106	National City	CA	91950	619-267-9655
All in the Family, LP*	2434 Vista Way	Oceanside	CA	92054	858-414-4765
MOC Restaurant I, LLC*	2810 E. Chapman Ave.	Orange	CA	92869	714-289-9655
BYC-Palm Springs, LLC	155 S Palm Canyon Dr., Ste. B	Palm Springs	CA	92262	760-656-9655
Big Huevos Holdings II, LP*	12285 Baseline Rd., Suite 120	Rancho Cucamonga	CA	91739	909-612-9655
Black Eight Foods, LLC*	355 6th Ave.	San Diego	CA	92101	619-338-9655

Name	Address	City	State	Zip	Phone
Black Eight Foods, LLC*	1760 Camino del Rio North	San Diego	CA	92108	619-574-9655
Fresh Egg, LLC*	3577 Midway Drive	San Diego	CA	92110	619-358-9966
All in the Family II, LP*	11630 Carmel Mountain Rd.	San Diego	CA	92128	858-675-9655
All in the Family IV, LP*	8111 Mira Mesa Blvd.	San Diego	CA	92126	858-564-9655
West Coast Taco, LLC	5120 College Ave.	San Diego	CA	92115	619-501-3030
San Marcos BYC, LLC*	101 S. Las Posas Rd.	San Marcos	CA	92078	760-471-9655
BYC – Santee, LLC	9832 Mission Gorge Rd	Santee	CA	92071	619-996-9655
Big Huevos Holdings II, LP *	26495 Ynez Rd.	Temecula	CA	92591	855-229-9655
Sawtooth Restaurant Group, LLC*	3110 W. Quintale Dr, Suite 110	Meridian	ID	83646	208-858-1501
All In The Family X, LLC*	3845 St Rose Pkwy, Suite 10	Henderson	NV	89052	725-205-2345
All in the Family, VI*	6805 South Las Vegas Blvd.	Las Vegas	NV		702-617-9655
All in the Family XIII, LP*	9435 S. Rainbow Blvd., Ste A150	Las Vegas	NV	89139	702-665-4347
All in the Family VII, LLC	201 S. Las Vegas Blvd., Ste. 100	Las Vegas	NV	89125	702-954-3430
BYC Dallas, LLC	6651 Alma Rd., Ste. 250	McKinney	TX	75070	214-504-1672
NW Group, LLC*	16803 Stuebner Airline Rd.	Spring	TX	77379	346-808-7823

*Area Developer

FRANCHISE AGREEMENT SIGNED BUT RESTAURANTS NOT OPEN AS OF DECEMBER 31, 2024

BYC Summerlin, LLC
9480 W. Sahara Ave.
Las Vegas, NV 89117
702-462-2621
(opened March, 2025)

EXHIBIT G-2

LIST OF FRANCHISEES WHO WERE TERMINATED, CANCELLED, NOT RENEWED OR WHO OTHERWISE VOLUNTARILY OR INVOLUNTARILY CEASED TO DO BUSINESS IN THE YEAR ENDING DECEMBER 31, 2024, OR WHO HAVE NOT HAVE NOT COMMUNICATED WITH US WITHIN 10 WEEKS OF THE ISSUANCE DATE OF THIS DISCLOSURE DOCUMENT.

JBBC, Inc.	Bakersfield	CA	93311	661-695-9655
SWS Foods, Inc.	Corona	CA	92881	951-530-9655
JRM Fresh Start, LLC	Tampa	FL	33618	708-237-2200

,

EXHIBIT G-3

**LIST OF AFFILIATE-OPERATED OUTLET
AS OF DECEMBER 31, 2024**

AFFILIATE-OPERATED LOCATIONS AS OF DECEMBER 31, 2024

1. BYC, Inc.
1851 Garnet Avenue, San Diego, CA 92109
858-270-9655

EXHIBIT H

STATEMENT OF PROSPECTIVE FRANCHISEE

EXHIBIT H

STATEMENT OF PROSPECTIVE FRANCHISEE

**[Note: Dates and Answers Must Be Completed
in the Prospective Franchisee's Own Handwriting.]**

WASHINGTON FRANCHISEES SHOULD NOT SIGN THIS STATEMENT

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.

This Statement of Prospective Franchisee does not waive any liability the franchisor may have under the Washington Franchise Investment Protection Act, RCW 19.100, and the rules adopted thereunder.

We request that the Prospective Franchisee (also called "me," "our," "us," "we" and/or "I" in this document) respond to provide the information below.

A. The following dates and information are true and correct:

- | | |
|---|--|
| 1. _____, 20__
Initials _____ | The date on which I/we received a Franchise Disclosure Document about a Broken Yolk Cafe® Restaurant. |
| 2. _____, 20__
Initials _____ | The date when I/we received a fully completed copy (other than signatures) of the Franchise Agreement, Area Development Agreement and all other documents I/we later signed. |
| 3. _____, 20__
Initials _____ | The earliest date on which I/we signed the Franchise Agreement, Area Development Agreement or <u>any</u> other binding document (not including any Acknowledgment of Receipt). |
| 4. _____, 20__
Initials _____ | The earliest date on which I/we delivered cash, check or other consideration to the Franchisor, or any other person or company. |

B. Representations and Other Matters:

1. Have you received any oral, written, visual or other promises, agreements, representations, options, rights-of-first-refusal, statements or otherwise (collectively, the "representations"), expanding upon or inconsistent with the Disclosure Document, the Franchise Agreement, the Area Development Agreement or any related franchise documents, including, but not limited to marketing, site location and/or development, operations, support services, my financial results, exclusive rights or protected territory, or otherwise?

If so, please describe:

(If none, the Prospective Franchisee should write NONE in his/her/their own handwriting.)

Prospective Franchisee's Initials: _____

2. Have you received any oral, written, visual or other claim, guarantee or representation, that stated or suggested any specific level or range of actual or potential sales, costs, income, expenses, profits, cash flow, or other financial performance representation about franchised or non-franchised units, or from which such information might be ascertained, (collectively, "financial results"), from the Franchisor, its affiliates or any agents/brokers/salespersons, or any other person? If so, please describe:

(If none, the Prospective Franchisee should write NONE in his/her/their own handwriting.)

Prospective Franchisee's Initials: _____

3. The individuals signing for the "Prospective Franchisee" include all of the executive officers, partners, shareholders, investors and/or principals of the Prospective Franchisee and each of such individuals has received the Franchise Disclosure Document and all exhibits

4. I/we I confirm that I have been advised to speak with past and existing BYC Franchisees and that I made the decision as to which and how many franchisees to contact.

Prospective Franchisee's Initials: _____

If there are any matters inconsistent with the statements in this document, or if anyone has suggested that I sign this document without all of its statements being true, correct and complete, I/we will (a) immediately inform the Franchisor's attorney (562-596-0116) and the Franchisor's Manager/Chief Executive Officer (858-270-9655) and (b) make a written statement regarding such next to my signature below so that the Franchisor may address and resolve any such issue(s) at this time and before either party goes forward.

SIGNATURES ON THE FOLLOWING PAGE

I/we represent and warrant that all of the above statements are true, correct and complete.

Date: _____

PROSPECTIVE FRANCHISEE
(if Formal Business Entity i.e., Corporation,
LLC or Partnership) - **Must be
accompanied by appropriate personal
guarantee(s) from all owners of 10% or
more:**

_____ a _____ (Entity Type)

By: _____

Printed Name:

Title: _____

PROSPECTIVE FRANCHISEE
(if an Individual):

Signature: _____

Printed Name: _____

Signature: _____

Printed Name: _____

OWNERS/PRINCIPALS:

All of the above is true, correct and complete to the best of my knowledge:

Franchise Marketing Representative

Reviewed by: BYC FRANCHISING, LLC

Manager/Chief Executive Officer

Franchise Agreement Number

EXHIBIT I

STATE EFFECTIVE DATES

State Effective Dates

The following states have franchise laws that require that the Franchise Disclosure Document be registered or filed with the state, or be exempt from registration: California, Hawaii, Illinois, 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	Renewal Pending
Hawaii	Not Registered
Illinois	Renewal Pending
Indiana	Renewal Pending
Maryland	April 25, 2025
New York	Renewal Pending
Virginia	May 7, 2025
Washington	Renewal 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 J

RECEIPT

EXHIBIT J
RECEIPT - Franchisee's Copy

This disclosure document summarizes provisions of the franchise agreement and other information in plain language. Read this disclosure document and all agreements carefully.

If we offer you a franchise, we must provide this disclosure document to you 14 calendar days before you sign a binding agreement with, or make a payment to, us or an affiliate of ours.

The state laws of New York require that we give you this disclosure document at the earlier of the first personal meeting or 10 business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship.

The state laws of Michigan require that we give you this disclosure document at least 10 business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first.

If we do not deliver this disclosure document on time or if it contains a false or misleading statement, or a material omission, a violation of federal and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and the state administrator listed in exhibit a to the disclosure document.

We authorize the following person(s) to act as our franchise seller(s):

Valerie McCartney
Franchise Growth Strategies, Inc.
496 Supreme Court
San Marcos, CA 92078
(858) 740-9554

John Gelastopoulos
BYC Franchising, LLC
1851 Garnet Avenue
San Diego, California 92109
(858) 270-9655

We authorize John Gelastopoulos, whose address is 1851 Garnet Avenue, San Diego, CA 92109 to receive service of process for us (or see Exhibit A if you are located outside of California).

I received a Disclosure Document with an Issuance Date of April 15, 2025* that included the following Exhibits:

A.	State Administrators and Agencies and Agents for Service of Process	F.	Table of Contents of Confidential Operations Manual
B.	State-Specific Addenda to the Franchise Disclosure Document	G-1.	List of Current Franchisees
C.	Financial Statements	G-2.	List of Former Franchisees Who Left the System in 2024
D.	Franchise Agreement and Exhibits	G-3.	List of Affiliate Owned Sites
E.	Area Development Agreement and Exhibits	H.	Statement of Prospective Franchisee
I.	State Effective Dates	J.	Receipts

*The effective date of this Disclosure Document may be different in your state. Please refer to Exhibit I of this Disclosure Document for a list of effective dates.

Date: _____

PROSPECTIVE FRANCHISEE

(Print Name)

Keep this copy for your records.

EXHIBIT J
RECEIPT - Franchisor's Copy

This disclosure document summarizes provisions of the franchise agreement and other information in plain language. Read this disclosure document and all agreements carefully.

If we offer you a franchise, we must provide this disclosure document to you 14 calendar days before you sign a binding agreement with, or make a payment to, us or an affiliate of ours.

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E.	Area Development Agreement and Exhibits	H.	Statement of Prospective Franchisee
I.	State Effective Dates	J.	Receipts

*The effective date of this Disclosure Document may be different in your state. Please refer to Exhibit I of this Disclosure Document for a list of effective dates.

Date: _____

PROSPECTIVE FRANCHISEE

(Print Name)

Return this copy to us.