

FRANCHISE DISCLOSURE DOCUMENT



Café Mexicali – Franchising, LLC
a Colorado limited liability company
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The franchise offered is for the establishment of one or more CAFÉ MEXICALI franchised businesses (each a “CAFÉ MEXICALI Restaurant” or “Restaurant”) that serve high quality Mexican-inspired food made primarily from fresh ingredients such as the original Quesolle’[®] rolled quesadilla, smothered burritos, salads, soups, soft tacos, nachos, desserts and drinks, in addition to breakfast burritos. Some CAFÉ MEXICALI Restaurants may offer a selection of alcoholic beverages to compliment the menu items.

The total investment necessary to begin operation of a CAFÉ MEXICALI Restaurant ranges from \$558,200 to \$1,242,500 for a single Restaurant. This includes \$36,000 that must be paid to the franchisor or its affiliate. The total investment necessary to operate a single CAFÉ MEXICALI Restaurant under a development agreement providing for the development of five CAFÉ MEXICALI Restaurants ranges from \$587,700 to \$1,358,000. This includes the \$63,000 to \$147,000 that must be paid to the franchisor under your development agreement.

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

The terms of your contract will govern your franchise relationship. Do not rely on the Disclosure Document alone to understand your contract. Read all of your contract carefully. Show your contract and this Disclosure Document to an advisor, like a lawyer or an accountant.

Buying a franchise is a complex investment. The information in this Disclosure Document can help you make up your mind. More information on franchising, such as “[A Consumer's Guide to Buying a Franchise](#),” which can help you understand how to use this Disclosure Document, is available from the Federal Trade Commission. You can contact the FTC at 1-877-FTC-HELP or by writing to the FTC at 600 Pennsylvania Avenue NW, Washington, DC 20580. You can also visit the FTC's home page at www.ftc.gov for additional information. Call your state agency or visit your public library for other sources of information on franchising.

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

Issuance Date: June 17, 2025, as amended October 31, 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 E and F.
How much will I need to invest?	Items 5 and 6 list fees you will be paying to the franchisor or at the franchisor's direction. Item 7 lists the initial investment to open. Item 8 describes the suppliers you must use.
Does the franchisor have the financial ability to provide support to my business?	Item 21 or Exhibit G 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 CAFÉ MEXICALI Restaurant business in my area?	Item 12 and the "territory" provisions in the franchise agreement describe whether the franchisor and other franchisees can compete with you.
Does the franchisor have a troubled legal history?	Items 3 and 4 tell you whether the franchisor or its management have been involved in material litigation or bankruptcy proceedings.
What's it like to be a CAFÉ MEXICALI Restaurant franchisee?	Item 20 or Exhibits E and F list current and former franchisees. You can contact them to ask about their experiences.
What else should I know?	These questions are only a few things you should look for. Review all 23 Items and all Exhibits in this disclosure document to better understand this franchise opportunity. See the table of contents.

What You Need To Know About Franchising *Generally*

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

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

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

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

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

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

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

Some States Require Registration

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

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

Special Risks to Consider About *This* Franchise

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

1. **Out-of-State Dispute Resolution.** The franchise agreement requires you to resolve disputes with the franchisor by litigation only in Colorado. Out-of-state litigation may force you to accept a less favorable settlement for disputes. It may also cost more to litigate with the franchisor in Colorado than in your own state.

Certain states may require other risks to be highlighted. Check the “State Specific Addenda” (if any) to see whether your state requires other risks to be highlighted.

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ITEM 1

THE FRANCHISOR, AND ANY PARENTS, PREDECESSORS AND AFFILIATES

The Franchisor is Café Mexicali-Franchising, LLC. To simplify the Disclosure Document, Café Mexicali-Franchising, LLC is referred to as “Café Mexicali,” “we,” “us,” or “our”. “You” means the person or legal entity who buys the franchise or development rights, the Franchisee or Developer. If you are a corporation, limited liability company, partnership or any other type of legal entity, certain of the provisions of the Franchise Agreement and/or Development Agreement (defined below) also will apply to, and be binding upon, certain of your owners (referred to as your “Principals”). We will require that one of your Principals speak for you (the “Controlling Principal”) and that the Controlling Principal and certain of your Principals that we designate personally guarantee, and be personally bound by, some or all of your obligations under the Franchise Agreement and the Development Agreement.

The Franchisor

We are a Colorado limited liability company formed on September 17, 2021. We began offering franchises for CAFÉ MEXICALI Restaurants in October 2022, and we conduct business under our entity name. Our principal business address is 1919 65th Avenue, Unit 5, Greeley, Colorado 80634. We do not offer franchises in any other line of business and we do not directly own or operate any CAFÉ MEXICALI restaurants. Our agents for service of process are listed in Exhibit A.

Our Parents, Predecessors and Affiliates

Our parent, Café Mexicali, Inc., is a Colorado corporation formed on September 17, 2021 (“CMI”). CMI shares our principal business address and does not offer franchises in this or any other line of business.

Our affiliate, Café Mexicali-SpiceCO, LLC, is a Colorado limited liability company formed on September 20, 2021 (“Spice Company”). Spice Company shares our principal business address and is the current supplier of CAFÉ MEXICALI-branded spice packets to franchisees. Spice Company does not offer franchises in this or any other line of business and is not engaged in any other business activity.

Our affiliate, Café Mexicali IP, LLC, is a Colorado limited liability company formed on September 20, 2021 (“IP Company”). IP Company shares our principal business address. IP Company owns the CAFÉ MEXICALI System trademarks, trade names, service marks and logos, as well as the System’s recipes, copyright materials and other intellectual property (collectively, “Intellectual Property”), which IP Company licenses to us and which we, in turn, license to our franchisees. IP Company does not offer franchises in this or any other line of business.

The Franchise Offered

We offer franchises for the right to locate, own and operate one or more CAFÉ MEXICALI Restaurants that offer and sell high quality Mexican-inspired food made primarily from fresh ingredients such as the original Quesolle® rolled quesadillas, smothered burritos, breakfast burritos, salads, soups, soft tacos, nachos, desserts and drinks under the CAFÉ MEXICALI trademarks, trade names, service marks and logos. Restaurants are fast casual restaurants where customers order at the counter and interact with the menu item as it is prepared in an assembly line in front of them. Some Restaurants may offer a selection of alcoholic beverages to compliment the menu items.

We must approve all leasehold improvements, furniture, fixtures, equipment, signage, trade dress, food and beverage products, supplies and menu items and any other products and services that are used, offered or sold in CAFÉ MEXICALI Restaurants generally (“Approved Supplies, Products and Services”), and certain of these items may be manufactured using our or our affiliates’ proprietary recipes, Trade Secrets or other Confidential Information, and designated as proprietary by us.

CAFÉ MEXICALI Restaurants will typically be located at an end cap space in a retail strip or in-line shopping centers, and non-traditional locations, in high traffic urban and suburban areas, preferably near large residential communities, office buildings and other commercial areas, and typically need approximately 3,500 to 4,000 square feet of floor space. If you open a second location near the first location

where the kitchen in the first location offers room to serve as a kitchen commissary, the second location may be 2,750 to 3,250 square feet.

CAFÉ MEXICALI Restaurants are characterized by a system (the “System”) which includes development guidelines, opening guidelines, operational guidelines, initial and ongoing training programs, business methods, designs, arrangements and Brand Standards for developing and operating Restaurants, including those pertaining to site selection, conversion, construction, exterior and interior building design, layouts, leasehold improvements, furniture, fixtures, equipment, signage, trade dress, food and beverage supplies and products and other products and services that are used, offered or sold in CAFÉ MEXICALI Restaurants generally, methods of inventory control and requirements and policies regarding personnel, accounting and financial performance, advertising and marketing programs and information and technology systems, all of which we may improve, further develop or otherwise modify from time to time.

The System is identified by certain trade names, service marks, trademarks, logos, emblems and indicia of origin, including the mark “Café Mexicali” and others we may authorize for use by CAFÉ MEXICALI Restaurants (the “Marks”). We expect to continue to improve and further develop the System and provide new information and techniques to all franchisees. You must operate your Restaurant according to the System.

We offer franchise agreements (“Franchise Agreements”) which grant the right to construct, own and operate one CAFÉ MEXICALI Restaurant at a designated site (the “CAFÉ MEXICALI Restaurant Address”) within a designated area (the “Territory”) for an initial term of 10 years. Our form of Franchise Agreement is attached to this Disclosure Document as Exhibit B.

We may also offer you a development agreement (the “Development Agreement”), which grants you the right to enter into multiple Franchise Agreements to construct, own and operate multiple CAFÉ MEXICALI Restaurants within a particular geographic area (the “Development Area”). Our form of Development Agreement is attached to this Disclosure Document as Exhibit C. You must enter into a separate Franchise Agreement for each CAFÉ MEXICALI Restaurant you establish under the terms of a development schedule attached to the Development Agreement (the “Development Schedule”). The number of Restaurants to be developed under each Development Agreement varies depending on factors such as the size, income and population density of the Development Area, which will be determined before you sign your Development Agreement. You must sign the form of Franchise Agreement attached as Exhibit B for the first CAFÉ MEXICALI Restaurant described in the Development Schedule when you sign the Development Agreement. You must sign the then-current form of Franchise Agreement for each additional CAFÉ MEXICALI Restaurant to be developed as set in the Development Schedule.

Under the Development Agreement, you must satisfy certain conditions before you will have the right to sign Franchise Agreements for each CAFÉ MEXICALI Restaurant, including operational, financial and legal conditions.

Operational conditions require that you and your affiliates are in compliance with all agreements between you or your affiliates and us and our affiliates. You must be conducting the operation of your existing CAFÉ MEXICALI Restaurant(s), if any, and be capable of conducting the operation of the proposed additional CAFÉ MEXICALI Restaurant (a) in accordance with the terms and conditions of the Development Agreement, (b) in accordance with the provisions of the respective Franchise Agreements, and (c) in accordance with the standards, specifications, and procedures set forth and described in the Brand Standards Manual, as such Brand Standards Manual may be amended from time to time, or otherwise in writing.

Financial conditions require that you and your Principals satisfy our then-current financial criteria for developers and Principals of CAFÉ MEXICALI Restaurants with respect to the operation of your existing CAFÉ MEXICALI Restaurants, if any, and the proposed CAFÉ MEXICALI Restaurant. You and your affiliates cannot be in default, and must not have been in default during the prior 12 months, of your monetary obligations owed to us or our affiliates under the Development Agreement, any Franchise Agreement or other agreement between you or your affiliates and us or any of our affiliates.

Legal conditions require that you have submitted to us, in a timely manner, all information and documents which we request before and as a basis for the issuance of individual franchises or under any right granted to you by the Development Agreement or by any Franchise Agreement. You must also take such additional actions as we may request from time to time. You and your Principals must have been and must then currently be faithfully performing all terms and conditions of your Development Agreement, each of your existing Franchise Agreements and any other agreement among us, you or any of your respective affiliates.

Prospective CAFÉ MEXICALI Restaurant franchisees are typically newly formed entities or individuals wanting to own and operate a franchised Mexican-inspired restaurant. Prospective CAFÉ MEXICALI Restaurant franchisees typically have some prior experience in the restaurant or food service business sector.

CAFÉ MEXICALI Restaurant franchisees may serve approved products and services to any potential Customer that enters into their Restaurant.

Market and Competition

The market for Mexican-inspired restaurant services is well developed and intensely competitive. You will serve the general public and will compete with a variety of businesses, from locally owned to national and chain businesses as well as in some instances national and local convenience stores. These restaurants compete on the basis of factors such as price, service, store location and food quality. These businesses are often affected by other factors as well, such as changes in consumer taste, economic conditions, population and travel patterns.

Industry Specific Laws

The restaurant and foodservice industry is heavily regulated in the United States by federal, state, and local governments.

The Affordable Care Act of 2010 and regulations issued by the U.S. Food and Drug Administration (the so-called “menu labeling rule”) require covered retail foodservice establishments, including those that are part of a chain of 20 or more units, to disclose to consumers, on menu boards, online ordering platforms, and otherwise, certain nutritional information regarding menu items.

Other laws have particular applicability to restaurants and other retail foodservice establishments, including food safety and health and sanitation laws and liquor license laws, liquor liability, and dram shop laws (if alcoholic beverages are offered or sold on the premises). Many states and municipalities also require specific licensure or training in sanitation and safety laws before permitting a restaurant to serve the public.

To operate the CAFÉ MEXICALI Restaurant, you may also need to obtain a liquor license. State and local laws, regulations and ordinances vary significantly in the procedures, difficulty and cost associated with obtaining a license to sell liquor, the restrictions placed on the manner in which liquor may be sold, and the potential liability imposed by dram shop laws involving injuries, directly and indirectly, related to the sale of liquor, and its consumption. You will need to understand and comply with those laws in operating the Restaurant.

Recently, some cities have enacted laws that impose specific burdens targeted on restaurants and other retail foodservice establishments that serve foods or beverages that are high in sugar and/or salt. Such cities may require restaurants operating in their jurisdiction to pay additional taxes on the sale of sugar sweetened beverages and/or may require restaurants or other retail foodservice establishments to warn consumers of high-sodium menu items.

Some states and cities also require that restaurants and other retail food establishments provide information to consumers about food allergens.

Several states have passed laws restricting the use of plastic packaging and straws, and some have explicitly banned perfluorinated substances, otherwise known as “PFAS,” in food packaging. Some states limit “food packaging” to paper-based packaging, like pizza boxes, while other states prohibit PFAS in any food

packaging, including plastic packaging. PFAS appear in disposable products commonly used in the restaurant industry, such as takeout containers, sandwich wraps, and bags.

The Food and Drug Administration finalized a rule in late 2022 that would impose traceability requirements on a wide range of food establishments, including some restaurants. Although the effective date is not until 2026, the rule would impose significant recordkeeping requirements on regulated entities, and such entities will need to train employees to understand how to comply with the new requirements.

To operate the CAFÉ MEXICALI Restaurant, you will need to determine and understand the laws that apply in your geographic area and then implement compliance procedures, as needed, to ensure your Restaurant's full compliance with applicable laws and regulations.

Many of the laws that apply to business generally, like the Americans with Disabilities Act, federal wage and hour laws, and the Occupation, Health and Safety Act, also apply to restaurants and other retail foodservice establishments. Your development and operation of the Restaurant will also be subject to compliance with applicable zoning, land use and environmental regulations as well as federal and state minimum wage laws governing such matters as working conditions, overtime and tip credits and other employee matters. It is likely that a significant number of your Restaurant's food service and preparation personnel will be paid at rates related to the federal minimum wage and, accordingly, further increases in the federal, state or local minimum wage will affect your labor costs.

The federal Clean Air Act and various implementing state laws require certain state and local areas to meet national air quality standards that limit emissions of ozone, carbon monoxide and particulate matters, including emissions from commercial food preparation. Some areas have also adopted or are considering proposals that would regulate indoor air quality.

We recommend that you check with your state and local agencies to determine which laws apply to the operation of a CAFÉ MEXICALI Restaurant in your area. You should consider these laws and regulations when evaluating your purchase of a franchise.

ITEM 2

BUSINESS EXPERIENCE

Richard A. Krammer – Co-Founder, Chief Executive Officer

Mr. Krammer co-founded the CAFÉ MEXICALI concept in December 2005 and has served as our Chief Executive Officer since our inception. Mr. Krammer also serves as the Chief Executive Officer of CMI, Spice Company, and IP Company since their inceptions in September 2021 in Greeley, Colorado. Additionally, Mr. Krammer has also served as the Chief Executive Officer of our five affiliates which own and operate their own CAFÉ MEXICALI Restaurants since their respective inceptions, including Café Mexicali-Windsor, LLC since May 2024, Café Mexicali-Johnstown, LLC since March 2018, Café Mexicali-Boulder, LLC since October 2012, Café Mexicali-Greeley, LLC since May 2008, and Café Mexicali, LLC since January 2005. He serves in each position from our headquarters in Greeley, Colorado. Finally, Mr. Krammer has served as the President of Krammer Consulting since June 2013 also in Greeley, Colorado.

David Hoffman – Co-Founder, Chief Development Officer

Mr. Hoffmann co-founded the CAFÉ MEXICALI concept in December 2005 and has served as our Chief Development Officer since inception. Mr. Hoffman also serves as the Chief Development Officer of CMI, Spice Company, and IP Company since their inceptions in September 2021 in Greeley, Colorado. Finally, Mr. Hoffman has also served as the Chief Development Officer of our five affiliates which own and operate their own CAFÉ MEXICALI Restaurants since their respective inceptions, including Café Mexicali-Windsor, LLC since May 2024, Café-Mexicali Johnstown, LLC since March 2018, Café-Mexicali Boulder, LLC since October 2012, Café Mexicali-Greeley, LLC since May 2008, and Café Mexicali, LLC since January 2005. He serves in each position from our headquarters in Greeley, Colorado.

ITEM 3
LITIGATION

No litigation is required to be disclosed in this Item.

ITEM 4
BANKRUPTCY

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

ITEM 5
INITIAL FEES

Franchise Agreement

Initial Franchise Fee

The initial franchise fee (“Initial Franchise Fee”) for a single Franchised Restaurant is \$35,000, paid by you to us when you sign the Franchise Agreement. Once you have signed the Franchise Agreement, the Initial Franchise Fee is uniformly imposed, fully earned by us when paid, and is not refundable for any reason.

If you qualify for our military veteran’s program, the Initial Franchise Fee for your first Franchised Restaurant will be discounted by 10%. This discount is available to veterans who have received a discharge (other than dishonorable) as well as any active-duty personnel. If the franchisee is a corporation, limited liability company, or other legal entity, the veteran participant must maintain at least a 51% ownership interest in the entity to qualify for this discount. To apply for the discount, you must provide us with a copy of form DD-214, reflecting your military status, before the Franchise Agreement is signed.

Technology Setup Fee

When you sign the Franchise Agreement, you will also pay to us a Technology Setup Fee of \$1,000. This fee is to offset our costs related to setting you up with our electronic mail system, microsite, and computer system infrastructure. This fee is uniformly applied and nonrefundable once paid.

Pre-Opening Assistance

You will reimburse us for the travel, lodging, meal, and prorated wages costs we incur in providing up to three of our personnel to assist you with on-site pre-opening and opening training for approximately a consecutive day period before your first CAFÉ MEXICALI Restaurant opens for business.

Development Agreement

If you sign the Development Agreement, you must pay to us a Development Area Rights Fee equal to \$35,000 for the first CAFÉ MEXICALI Restaurant to be developed under the Development Agreement, plus \$28,000 for each subsequent Restaurant to be developed under the Development Agreement.

You must sign the Franchise Agreement for your first Restaurant at the same time you sign the Development Agreement. At the time you enter into your first Franchise Agreement and the Development Agreement, you must also pay to us the Development Area Rights Fee due under the Development Agreement of which the first \$35,000 will be credited to satisfy, in full, the \$35,000 initial franchise fee due under the Franchise Agreement entered into in connection with your first CAFÉ MEXICALI Restaurant. Each subsequent Franchise Agreement you sign with us under your Development Agreement will include a reduced Initial Franchise Fee of \$28,000, and we will apply \$28,000 from the Development Area Rights Fee you paid to us under your Development Agreement to this reduced Initial Franchise Fee.

The Development Area Rights Fee is uniformly imposed and not refundable once paid.

ITEM 6
OTHER FEES

Type of Fee	Amount	Due Date	Remarks
Royalty Fee (1)	Weeks 1 to 20: 3% of Gross Sales Week 21 through the end of the Term: 6% of Gross Sales	Payable every Accounting Period by automatic debit from your account on the 1st day following each Accounting Period with respect to your Gross Sales for the preceding Accounting Period.	“Accounting Period” means each calendar week or such other period as we designate. We may change the Accounting Period on 30 days’ written notice to you. You must adopt our fiscal year. “Gross Sales” means the aggregate of all revenue and income from whatever source derived, whether or not collected by you and whether it is in the form of check, cash, credit or otherwise, arising out of, in connection with or relating to your CAFÉ MEXICALI Restaurant including, without limitation, (a) income from the sale of any Approved Supplies, Products and Services sold to Customers; (b) income from any other types of products sold or services provided; and (c) all proceeds from any business interruption insurance, but excluding (i) all refunds, cancellation fees and discounts made in good faith to a Customer; (ii) any sales, goods and services and equivalent taxes which are collected by you for or on behalf of any governmental or other public body and actually remitted to such body; (iii) tips paid by Customers to Restaurant personnel; and (iv) the value of any gift card, coupon, voucher or other allowance authorized by us and issued or granted to Customers of your Restaurant which is received or credited by you in full or partial satisfaction of the price of any Approved Supplies, Products and Services offered in connection with your Restaurant. If a state or local law does not allow you to pay Royalty Fees on alcohol sales, we will adjust the Royalty Fee rate and other provisions to provide the same basic economic effect to both you and us as otherwise provided in the Franchise Agreement, with a corresponding change to the definition of Gross Sales. Currently, we will estimate a new effective Royalty Fee rate based on non-alcoholic beverage sales for the prior three months’ consecutive sales and will reconcile payments at the end of the calendar year, with periodic adjustments to the effective Royalty Fee rate throughout the term of the Franchise Agreement.
Local Ad Expenditure	Weeks 1 to 20: 3% of Gross Sales; Week 21 through the end of the Term: 2% of Gross Sales, but we reserve the right to require a Local Ad Expenditure of up to 4% of Gross Sales, which may be payable to us and reimbursed to you on proof of expenditures or to be	As incurred, but to be reported to us on or before the 10th day after each calendar month with respect to Local Ad Expenditures for the preceding calendar month.	We reserve the right to allocate up to 4% of your Gross Sales between spending on the Local Ad Expenditure, payment of the Advertising Fee, making of Ad Fund contributions and/or making of Area Cooperative contributions, but the aggregate of your Local Ad Expenditure, Advertising Fee, Ad Fund and/or Area Cooperative payments and contributions will not exceed 4% of Gross Sales.

Type of Fee	Amount	Due Date	Remarks
	spent directly by you on approved local advertising expenditures		
Advertising Fee	Currently 0% of Gross Sales, but we reserve the right to require payment of an Advertising Fee up to 4% of Gross Sales	Payable every Accounting Period by automatic debit from your account on the 1 st day following each Accounting Period with respect to your Gross Sales for the preceding Accounting Period.	We reserve the right to allocate up to 4% of your Gross Sales between spending on the Local Ad Expenditure, payment of the Advertising Fee, making of Ad Fund contributions and/or making of Area Cooperative contributions, but the aggregate of your Local Ad Expenditure, Advertising Fee, Ad Fund and/or Area Cooperative payments and contributions will not exceed 4% of Gross Sales.
Ad Fund Contributions	Currently 0%, but we reserve the right to create an Ad Fund and require you to contribute up to 4% of Gross Sales	Payable every Accounting Period by automatic debit from your account on the 1 st day following each Accounting Period with respect to your Gross Sales for the preceding Accounting Period.	We do not yet have an Ad Fund. We reserve the right to create an Ad Fund on written notice to you, and then allocate up to 4% of your Gross Sales between spending on the Local Ad Expenditure, payment of the Advertising Fee, making of Ad Fund contributions and/or making of Area Cooperative contributions, but the aggregate of your Local Ad Expenditure, Advertising Fee, Ad Fund and/or Area Cooperative payments and contributions will not exceed 4% of Gross Sales.
Area Cooperative Contributions	Currently 0%, but we reserve the right to create an Area Cooperative in your market and require you to contribute up to 4% of Gross Sales to the Area Cooperative	Payable as we determine with input from the Area Cooperative.	We reserve the right to allocate up to 4% of your Gross Sales between spending on the Local Ad Expenditure, payment of the Advertising Fee, making of Ad Fund contributions and/or making of Area Cooperative contributions, but the aggregate of your Local Ad Expenditure, Advertising Fee, Ad Fund and/or Area Cooperative payments and contributions will not exceed 4% of Gross Sales.
Grand Opening Ad Expenditure	At least \$12,000	As incurred.	You must expend the Grand Opening Ad Expenditure amount to promote your CAFÉ MEXICALI Restaurant during the period beginning 90 days before the opening of your Restaurant and ending 90 days after your Restaurant has opened.
Technology Fee	An amount we set based on our then current estimated costs payable each Accounting Period or as otherwise set by us; currently, \$25 per Accounting Period per Restaurant	Monthly.	The Technology Fee is for technology-based expenditures that we deem valuable investments for the CAFÉ MEXICALI System, which may include new Technology and Information Systems, the CAFÉ MEXICALI Operating System, mobile training and operational performance software, cloud-based franchise-management solutions, IT phone support and database maintenance, digital marketing, online ordering and loyalty subscriptions, tablet and other mobile device management, and e-learning solutions loyalty programs, Customer surveys and other operational functions for your Restaurant. There is no limit on our right to increase this fee, in particular because this fee is substantially based on third party service provider costs and fees over which we have no control.

Type of Fee	Amount	Due Date	Remarks
Email Address	Currently, \$6 per month per email address	Monthly	This amount is payable to us, but is a passthrough cost payable to our third-party email account service provider. This third party may increase this cost at any time and there is no limit on their ability to increase this fee.
Accounting Services Expenditure	\$1,000 per month, which may vary based on services provided.	As incurred.	We may require that you use an accounting consultant to perform accounting services including generating financial statements, balance sheets and other financial reporting that is required by us. This amount would be payable to such third party accounting firm or service provider.
Labeling Machine Supplier Payment	Currently, \$100 per month	Monthly.	You must use our designated label hardware and software provider, which also provides scheduling and equipment temperature monitoring services. This is a third-party supplier and, as such, the monthly fee may increase.
Mystery Shopper Fee	Estimated at up to \$300 per month	On demand.	We may establish a system-wide mystery shopper program for purposes of monitoring product and service quality at your Franchised Restaurant. We may engage third party service providers for this service and the fee may be modified accordingly.
Convention Fees	Set before each convention or meeting based on anticipated actual costs	Upon demand.	Payable to offset a portion of our costs in organizing and holding annual or other periodic conventions or meetings.
Maintenance and Alteration	As needed to your CAFÉ MEXICALI Restaurant	Work to be done within 60 days of notice from us.	Paid to third parties in amount and at times agreed on with third party.
Transfer Fee (Franchise Agreement)	\$1,500 if the transfer is (i) to an entity for purposes of convenience with the same ownership structure, (ii) a minority interest transfer between your current owners or (iii) if you add a new third-party minority owner. 60% of the then- current Initial Franchise Fee for a transfer of single Franchised Restaurant from you to a third party or the transfer of a controlling interest in you. 40% of the then-current Initial Franchise Fee for a transfer of single Franchised Restaurant to a franchisee already a franchisee in the System and who has satisfactorily passed the initial training program.	Before the transfer is final.	Payable to us before the transfer is final. You will also pay training fees for training new Management Staff required to be trained. If you or the third party used a broker in the transaction, you or the third party will be responsible for payment to the broker.
Transfer Fee (Development Agreement)	An amount equal to the sum of \$5,000 multiplied by the number of remaining CAFÉ MEXICALI Restaurants to	Payable before transfer.	Payable when you sell your development rights. No charge if transfer is to a corporation you solely control.

Type of Fee	Amount	Due Date	Remarks
	be opened under your Development Agreement.		
Renewal Fee	\$5,000	When you sign a new Franchise Agreement, on expiration of your previous Franchise Agreement.	The Renewal Fee is in addition to any Restaurant upgrade costs that may be required.
Additional Training or Consulting Fees	\$450 per day, or our then current rate as stated in the Brand Standards Manual, plus travel expenses, if applicable.	Within 10 days after receipt of an invoice indicating the amount owed to us.	Payable if we conduct additional training, you need additional days of assistance, or you request consulting assistance. If we travel to your Restaurant, you will also pay travel expenses.
Required Education/ Training Programs	If we require your attendance at education programs/training sessions sponsored or held by us, we may charge you a fee for such attendance.	Before or at beginning of said program/seminar.	Payable to us or seminar/ training program sponsor.
FF&E Upgrades	An amount determined by us or your third-party suppliers based on your satisfying our then current furniture, fixtures and equipment standards.	As incurred.	We may require you to incorporate new or upgraded furniture, fixtures and equipment into your CAFÉ MEXICALI Restaurant periodically based on our then current minimum standards.
Prospectus Review Fee	Reimbursement for our costs.	As incurred.	Payable if you or your Principals go public or raise monies through a stock prospectus.
Indemnification Costs	Reimbursement of defense costs we incur and payment of judgments against us arising from your conduct or operations.	After notice from us.	Only applies if a claim is made against us based on your conduct or operations.
Enforcement Costs	Will vary depending on circumstances.	On demand.	Payable only if we incur fees and costs to enforce the Franchise Agreement or Development Agreement after your breach.
Audit and inspection costs	Our reasonable expenses including wages, and any professional fees.	On demand.	We have the right to audit or inspect your CAFÉ MEXICALI Restaurant, and charge you our costs if you are not in compliance or we have to re-audit or re-inspect to confirm compliance after a default.
Reimbursement of Insurance Costs	Premiums on required insurance we pay on your behalf	Immediately on notice from us.	Only applies if you fail to obtain required insurance and we elect to pay the premiums for your insurance.
Interest and Late Payments	Unpaid amounts will bear an interest rate of 1.5% of past-due amounts per calendar month or maximum rate allowed by law, whichever is less; \$150 per month late fee; and our collection costs (if any).	Immediately on receipt of claim from us.	Applies only on past-due amounts.
Non-Compliance Fees	Currently, \$250 to \$1,000 per contractual deviation or default plus any third-party expenditures we incur.	When billed.	Due if you deviate from any contractual requirement, including Brand Standards. Non-Compliance Fees compensate us for administrative and management costs, not for our damages due to your

Type of Fee	Amount	Due Date	Remarks
			default. The fee is \$250 for the first violation, \$500 for the first repeat violation, and \$1,000 for second and each subsequent repeat violation, plus any third party expenditures we incur related to our administration of the cure to such deviation.
Liquidated Damages for Early Termination (Franchise Agreement)	An amount equal to the average of the Royalty Fees paid (or payable) over the past 12 months times the lesser of 24 or the number of full calendar months remaining in the term of the Franchise Agreement at the time of termination.	Within fifteen days of demand.	Payable if we terminate your Franchise Agreement for cause, or if you terminate without satisfying your conditions for termination.
Liquidated Damages for Breach of Post-Termination Obligations (Franchise Agreement)	200% of the Continuing Fees that you would otherwise have been obligated to us with respect to the operations of your CAFÉ MEXICALI Restaurant if still a franchisee.	Within fifteen days of demand.	Payable if you breach your post-termination obligations after the expiration or earlier termination of the Franchise Agreement.
Liquidated Damages for Breach of Non-Competition Covenant (Franchise Agreement)	A monthly fee equal to 15% of the competing businesses' revenues.	Within fifteen days of demand.	Payable if you breach your noncompetition covenants.
Extension Fee (Development Agreement)	\$1,500 (per 75-day extension)	Upon demand as a condition to an extension under the Development Agreement.	You may obtain a one-time, 75-day extension of your time to open a CAFÉ MEXICALI Restaurant under the Development Schedule if you meet certain conditions, including payment of the Extension Fee.

Notes:

Note 1. Except as otherwise indicated above, all fees and expenses described in this Item 6 are uniformly imposed by, and payable to, us and are non-refundable. Except as listed above, there are no other fees under Franchise Agreements or Development Agreements due or payable to us, or which we impose or collect in whole or in part on behalf of any third party.

ITEM 7
ESTIMATED INITIAL INVESTMENT
YOUR ESTIMATED INITIAL INVESTMENT

Type of Expenditure	Amount	Method of Payment	When Due	To Whom Payment is Made
Initial Franchise Fee ⁽¹⁾	\$35,000	As arranged	On Signing of the Franchise Agreement	Us
Real Property/Site Lease ⁽²⁾	\$40,000 to \$80,000	As arranged	As agreed	Third Parties

Type of Expenditure	Amount	Method of Payment	When Due	To Whom Payment is Made
Site Design, Architectural and Engineering Fees	\$25,000 to \$60,000	As arranged	As arranged	Contractor and Architect
Leasehold Improvements ⁽³⁾	\$200,000 to \$520,000	As arranged	As agreed	Contractor, Architect, and Suppliers
Furniture, Fixtures, Supplies, Smallware, Décor and Equipment ⁽⁴⁾	\$150,000 to \$285,000	As arranged	As agreed	Vendors
Opening Inventory ⁽⁵⁾	\$7,000 to \$17,000	As arranged	As agreed	Vendors
Signage ⁽⁶⁾	\$15,000 to \$35,000	As arranged	As agreed	Vendors
Soft Costs ⁽⁷⁾	\$5,000 to \$15,000	As arranged	As agreed	Vendors
Insurance ⁽⁸⁾	\$7,000 to \$10,000	As arranged	As agreed	Insurance Company
Computer System and Software ⁽⁹⁾	\$10,000 to \$20,000	As arranged	As agreed	Us and Vendors
Initial Training and Opening Assistance Costs and Reimbursements ⁽¹⁰⁾	\$21,000 to \$30,000	As arranged	Before training	Employees, Airlines, Hotels, Restaurants, and Us
Security and Utility Deposits ⁽¹¹⁾	\$200 to \$3,500	As arranged	As agreed	Vendors and Utility Companies
Business Licenses, including Beer, Liquor and Wine License Costs ⁽¹²⁾	\$1,000 to \$25,000	As arranged	As agreed	Licensing Authority
Grand Opening Ad Expenditure ⁽¹³⁾	\$12,000	As arranged	As agreed	Service Providers
Additional Funds – 3 months ⁽¹⁴⁾	\$30,000 to \$95,000	As arranged	As agreed	Vendors
TOTAL (for a single franchise agreement) ⁽¹⁵⁾	\$558,200 to \$1,242,500 (excludes costs for the purchase of land)			
Development Agreement				
CAFÉ MEXICALI Restaurant Development Area Rights Fee ⁽¹⁶⁾	\$63,000 to \$147,000	Cashier's Check or EFT as arranged	Upon Signing Development Agreement	Us
Development Agreement Training ⁽¹⁷⁾	\$500 to \$1,500	As Arranged	As Necessary	Vendors

Type of Expenditure	Amount	Method of Payment	When Due	To Whom Payment is Made
Additional Funds – 3 months ⁽¹⁸⁾	\$1,000 to \$2,000	As Arranged	As Necessary	You Determine
Estimated Initial Investment Range ⁽¹⁹⁾	\$523,200 to \$1,207,500	See Chart above.		
TOTAL (for a single franchise agreement and an area development agreement)	\$587,700 to \$1,358,000 (amounts are before any credits on Initial Franchise Fees)			

Explanatory Notes

1. Initial Franchise Fee. The initial franchise fee is \$35,000 for each CAFÉ MEXICALI Restaurant and is payable in full when you sign the Franchise Agreement. The initial franchise fee is fully earned and is not refundable under any circumstances.

2. Site Lease. Preferred locations for the CAFÉ MEXICALI Restaurants are in outside strip shopping centers in heavily-populated urban and suburban areas where you will have, typically, an end cap or in-line retail store. We expect you will lease the premises for your CAFÉ MEXICALI Restaurant. The cost of leasing real estate will vary, depending on location and other factors. The low number estimates initial lease acquisition costs and lease payments for a period of 4 months (consisting of 1 month before your anticipated opening and then an additional 3-month period) for a typical, small to medium sized CAFÉ MEXICALI Restaurant located in a suburban area. The high number estimates initial lease acquisition costs and lease payments for a period of 4 months (consisting of 1 months before your anticipated opening and then an additional 3-month period) for a larger sized CAFÉ MEXICALI Restaurant located in an urban.

We do not typically recommend that you purchase the land and building for your CAFÉ MEXICALI Restaurant. If you purchase land and/or a building, your cost will be substantially higher, and will vary depending on the market for real estate in your area. We do not provide any cost estimates for the purchase of land and/or the building for your Restaurant.

3. Leasehold Improvements. Your CAFÉ MEXICALI Restaurant will be established in accordance with our current CAFÉ MEXICALI Restaurant designs. Building costs for our current in-line or end-cap CAFÉ MEXICALI Restaurant designs are expected to range from \$63 to \$161 per square foot (taking into consideration a typical range of \$25 to \$50 in landlord contributions per square foot), depending on whether you build out an existing premises or undergo new construction, and will vary by building size. Our current CAFÉ MEXICALI Restaurant design consists of approximately from 3,500 to 4,000 square feet of interior space, and that your lessor will provide a shell space that includes, at a minimum, a level concrete floor suitable for floor covering, demising walls, and air-conditioning, electricity, gas, sewers, bathroom facilities, and water and plumbing suitable for a retail business. Among other things, you will probably need to arrange for the following items to meet our standard plans and specifications: proper wiring and plumbing, floor covering, wall covering, partitions, lighting and fixtures, storefront modifications, painting, cabinetry, and the like. Costs will vary depending upon various factors; the geographic location of your business; the size of the premises; the availability and cost of labor and materials; and the condition of the premises and the work that the lessor will do as a result of the lease negotiations. Lessors may, instead of constructing or installing some of the improvements itself, provide you with credits towards your future rent payments and/or a tenant improvement allowance. The lower amount assumes a smaller space within our design parameters in a suburban area and the higher amount assumes a larger space within our design parameters in an urban area without your landlord contributing to your build-out.

4. Furniture, Fixtures, Supplies, Smallware, Décor and Equipment. The furniture, fixtures and equipment, as well as supplies, smallware, and décor costs are based on the current costs charged by our suppliers and vendors for the required or approved items set forth in our Brand Standards for the buildout

of your CAFÉ MEXICALI Restaurant, including (without limitation) cooking equipment, food preparation tables, serving counters, water purification systems, coolers and refrigeration equipment, customer tables, seating, stereo, various trade dress and décor items, small wares (such as utensils, flatware, and all handheld equipment for use in food preparation, handling and processing), and other fixtures, furnishings and equipment. This estimate also includes the cost of your office furniture, filing cabinet and miscellaneous office supplies, and equipment. We do not currently purchase or resell the required or approved furniture, fixtures and equipment to you, but we may do so in the future.

5. Opening Inventory. Opening inventory consists of your initial order of food and beverage products plus disposables, chemicals, cleaning supplies, uniforms, menus, gift cards and other promotional materials, merchandise and supplies.

6. Signage. Your signage costs will depend on whether you lease a free-standing, endcap or inline location, and whether you have architectural, municipal or lease restrictions on the signage you can use at your CAFÉ MEXICALI Restaurant premises. In all cases, you are required to meet or exceed our specifications for your signage unless you are restricted by local ordinance from meeting our specifications.

7. Soft Costs. Soft costs include permits; utility connection plus all other fees imposed by federal, state, and/or local jurisdiction and which are necessary to obtain certificate of occupancy; architecture fees; meeting costs; title reports; legal services; printing of plans; and ancillary items.

8. Insurance. You must carry insurance as required in the Franchise Agreement. The amount in the table represents our best estimate of the premiums required for commercial general liability, business automobile liability, employee benefits liability, property, liquor liability, workers' compensation and umbrella liability insurance during a CAFÉ MEXICALI Restaurant's first year of operation. However, your costs may vary from those described in the table.

9. Computer System and Software. Computer System and Software covers all of the initial components of our required Technology and Information Systems, including a computer hardware, printer and router that will run our Technology and Information Systems. See Items 8 and 11.

10. Initial Training and Opening Assistance Costs and Reimbursements. The amounts shown first include the estimated cost of travel, lodging, meal and incidental expenses for your key personnel, including Controlling Principal, Operator, General Manager (if your Controlling Principal or Operator is not also your General Manager), and other designated and approved persons for a maximum of four attendees to attend our required initial training program. This program will include training at our headquarters in Greeley, Colorado, and one or more company-affiliated CAFÉ MEXICALI Restaurants in or around Greeley, Colorado. Your expenses will vary depending on the number of trainees that attend the initial training program, the distance traveled, method of travel and choice of accommodations. See Items 5 and 11. The amounts shown also include the estimated reimbursement costs you will pay to us for our opening assistance we provide to you in connection with the opening of your first CAFÉ MEXICALI Restaurant.

11. Security and Utility Deposits. Security and utility deposits include estimated deposits for leased premises and equipment, telephone service and other utilities. The estimate in the chart above includes your first month's rent payment, security deposits and utility deposits (for example, telephone, electricity, gas and water). We have assumed the security deposit to your landlord will equal one month's rent, although this may vary from landlord to landlord. The estimates assume that rent commences upon the CAFÉ MEXICALI Restaurant's opening. You, however, will need to lease a space in advance to build-out the CAFÉ MEXICALI Restaurant. You may of course attempt to negotiate an abatement from the lessor for this period.

12. Business Permits and Licenses, Including Beer, Liquor and Wine License Costs. The range given provides our best estimate of the costs you will incur for business permits and miscellaneous deposits, excluding utility deposits which are included elsewhere herein. Beer, liquor and wine license costs will generally range in the amounts stated, however, in certain states and municipalities the cost may substantially exceed the stated amounts. You should check with the local licensing regulatory agency to

determine the cost of your beer, liquor and wine license and whether a liquor equity license is required. Obtaining a liquor license and offering alcoholic beverages is at your option.

13. Grand Opening. You must submit your grand opening advertising budget to us for approval at least 60 days before spending the Grand Opening Ad Expenditure. You must submit proof of the Grand Opening Ad Expenditure upon our request. You must spend at least \$12,000 on the grand opening marketing of your Restaurant, however, you may choose to spend more than this minimum required amount. This amount must be spent during the period beginning 90 days before you open for business and 90 days after you begin operations.

14. Additional Funds. Additional funds include expenses for wages, occupancy costs, professional expenses and other recurring expenses before the opening of the CAFÉ MEXICALI Restaurant, and during the first three months of operation. The estimate assumes that you will employ an attorney to help you negotiate your lease for the CAFÉ MEXICALI Restaurant premises. In addition, you may choose to employ an attorney, accountant, and other consultants to help you evaluate our franchise offering and your establishment of a new business, and in obtaining all required permits and licenses to establish and operate the CAFÉ MEXICALI Restaurant. In addition, you may also form a corporation or other entity to operate the business.

15. Total for a single Franchise Agreement. This total is an estimate of your initial investment and the expenses you will incur during the first 3 months of operations. As stated in Note 2, we have not included any real estate purchase costs. In compiling this chart, we relied on the experience of our affiliates' and their personnel in developing and operating four CAFÉ MEXICALI Restaurants in Colorado beginning in 2005. The amounts shown are estimates only and may vary for many reasons including the capabilities of your management team, and your business experience and acumen. You should review these estimates carefully with an accountant or other business advisor before making any decision to buy a franchise.

16. Development Agreement. If you enter into a Development Agreement, you will be charged a Development Area Rights Fee equal to \$35,000 for the first CAFÉ MEXICALI Restaurant to be developed under the Development Agreement, plus \$28,000 for each additional Restaurant to be developed under the Development Agreement. The estimated low column of the chart shows the Development Area Rights Fee for a Development Agreement with a Development Schedule that requires you to develop two CAFÉ MEXICALI Restaurants ($\$35,000 + \$28,000 = \$63,000$). The estimated high column of the chart shows the Development Area Rights Fee you would pay when signing a Development Agreement with a Development Schedule that requires you to develop five CAFÉ MEXICALI Restaurants ($\$35,000 + (\$28,000 \times 4) = \$147,000$). If you timely open CAFÉ MEXICALI Restaurants under your Development Agreement, we will apply the first \$35,000 and then each subsequent \$28,000 from the Development Area Rights Fee paid towards the Initial Franchise Fee owed to us under each subsequent Franchise Agreement you enter into per the terms of your Development Agreement.

17. Development Training under Development Agreement. Depending on your Controlling Principal's experience, we may invite your Controlling Principal to travel to Greeley, Colorado for one day of development training at our headquarters to help generally familiarize you with our CAFÉ MEXICALI Restaurant development and opening process. You will be solely responsible for all of your Controlling Principal's expenses to attend development training, including air and ground transportation, meals and lodging.

18. Additional Funds under Development Agreement. Because your primary obligations under the Development Agreement are to develop CAFÉ MEXICALI Restaurants under Franchise Agreements and you will likely sign the first Franchise Agreement when you sign the Development Agreement and incur costs under the Franchise Agreement as you develop your first CAFÉ MEXICALI Restaurant, your initial investment in connection with the Development Agreement consists of your Development Area Rights Fee, your development training costs plus any additional professional and administrative fees and expenses related to reviewing and signing the Development Agreement.

19. Estimated Initial Investment Range under Development Agreement. The estimated initial

investment range under the Development Agreement table includes the same estimated initial investment range included in the single CAFÉ MEXICALI Restaurant Franchise Agreement table for the development of a single CAFÉ MEXICALI Restaurant, minus the Initial Franchise Fee.

ITEM 8

RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

You must expend the Grand Opening Ad Expenditure of \$12,000 during the period of time that begins 90 days before the Restaurant opens for business through the 90-day period following the scheduled opening date of your CAFÉ MEXICALI Restaurant for an initial opening advertising and promotion program to be conducted in accordance with our standards. You must submit the grand opening advertising budget to us for approval at least 60 days before expending the Grand Opening Ad Expenditure. The Grand Opening Ad Expenditure will be paid directly to the applicable service providers and not to us. You must submit proof of payment of the Grand Opening Ad Expenditure on our request.

You must develop your CAFÉ MEXICALI Restaurant premises, acquire furniture, fixtures, equipment, signage and construct and finish out leasehold improvements for your CAFÉ MEXICALI Restaurant according to the standards and specifications established by us (“Brand Standards”), and as contained in the Franchise Agreement and Brand Standards Manual. We may modify the standards and specifications occasionally. We will promptly notify you of any such modifications to the Brand Standards. We formulate and modify these Brand Standards based on research, industry trends and our general business plan.

Additionally, you must maintain your CAFÉ MEXICALI Restaurant premises, leasehold improvements, furniture, fixtures, equipment, signage and trade dress in your Restaurant in good order and repair, and you must promptly replace your leasehold improvements, furniture, fixtures, equipment, signage and trade dress as they become worn, damaged, obsolete, out of style or mechanically impaired and when offered or applicable, enter into preventative maintenance programs as further described in the Brand Standards Manual.

The purpose of these requirements is to establish quality control standards for the items used in the development and operation of your CAFÉ MEXICALI Restaurant and to protect, maintain and promote the product and service consistency, reputation and goodwill of CAFÉ MEXICALI Restaurants.

You must use, offer and sell only Approved Supplies, Products and Services that meet or exceed the Brand Standards we specify, purchase or obtain them from an approved source that we designate (which may be us or our affiliates), and exclusively use, offer and sell only Approved Supplies, Products and Services that we designate. Likewise, you must purchase or obtain Approved Supplies, Products and Services only from approved suppliers we designate or approve from time to time.

As of the date of this Disclosure Document, we consider our recipes, menu item names and presentation and Trade Dress to be proprietary, but we do not consider any other Approved Supplies, Products and Services to be proprietary to us. However, we reserve the right to develop and require the use, offer or sale of specific Approved Supplies, Products and Services in the future and may designate them as mandatory and/or proprietary to us.

As of the date of this Disclosure Document, our affiliate, Spice Company, is a required supplier. You must purchase designated spices from Spice Company for use in the recipes we provide. Except for purchases from Spice Company, neither we nor our affiliates are a sole approved vendor for any other Approved Supplies, Products and Services that you must use or offer for sale in your CAFÉ MEXICALI Restaurants. We do, however, reserve the right to purchase and resale to you additional items such as branded or proprietary food products, uniforms, menus, gift cards and other promotional materials, merchandise and supplies. For the fiscal year ended December 31, 2024, we received \$0 from franchisee purchases or leases, which was 0% of our total revenues of \$0. Spice Company did not derive any revenues from franchisee purchases or leases during its fiscal year ending December 31, 2024.

We reserve the right to require or permit you to purchase current or future Approved Supplies, Products and Services directly from us or our affiliates, current vendors or other approved vendors in the future. If

we or our affiliates are the sole or an approved vendor for any such items, we reserve the right to set the prices for all such Approved Supplies, Products and Services as we deem appropriate from time to time.

We may on a case-by-case basis designate or review and approve additional third party branded products or services as Approved Supplies, Products and Services for use, offer or sale in one or more CAFÉ MEXICALI Restaurants, with review and approval conducted under our approval procedures described below. We may purchase third party branded Approved Supplies, Products and Services in bulk and sell them to you at prices we set from time to time (which may include a markup that we set from time to time), or permit you to purchase third party branded Approved Supplies, Products and Services directly from a third party manufacturer or re-seller.

We may change or expand the list of Approved Supplies, Products and Services or the list of suppliers for Approved Supplies, Products and Services in the future.

Our officers, Mr. Krammer and Mr. Hoffman, own an interest in Spice Company, but not in any other currently required, approved or designated supplier.

As of the date of this Disclosure Document, we have designated one or more third party authorized suppliers for Approved Supplies, Products and Services, including the following:

Authorized Distributor or Vendor	Goods or Services Offered	Our Rebates or Payments (if any)
The Heartland Restaurant	Point of Sale system	None
Jolt	Labeling machine and scheduling software services	None
ThermoWorks	Temperature control system	None

We have also currently designated Shamrock as a preferred distributor for certain food and beverage-related Approved Supplies, Products and Services you will purchase to operate your Restaurant. We do not currently have any other required distributor for Approved Supplies, Products and Services, but we reserve the right to designate one or more required distributors for such items in the future. If we designate a different approved or required distributor, you must purchase Approved Supplies, Products and Services to be used in your Restaurant from the required distributor unless you have first obtained our prior written consent to purchase from another distributor in accordance with our vendor and supplier review process (see below).

We reserve the right to designate other specific distributors, vendors and suppliers for Approved Supplies, Products and Services in the future. If you desire to purchase any products or services from a supplier that has not already been approved, you must obtain our prior written approval, which may take up to 90 days from our receipt of all requested information, including information regarding the supplier’s fiscal strength, demonstrated customer service, product or service quality, product or service safety and a strong regional presence. Additionally, as a condition to granting approval, we may require you to submit samples of the proposed supplier’s services or products, and to arrange for us to visit the supplier’s facilities. If we elect to test the samples or inspect the proposed supplier’s facilities, you will be charged a fee not to exceed the actual cost of such inspection or testing. We reserve the right to reinspect the facilities and products or services of any approved supplier and to revoke our approval if the supplier fails to continue to meet any of our then-current standards. We will notify you in writing of any revocation of a supplier or their product or service and provide you a reasonable period of time to cease use of the supplier or their product or service, which period of time we will determine based on the amount of inventory you may have and the underlying reason for the revocation.

We reserve the right to contract with manufacturers, suppliers and distributors who provide us volume discounts, rebates and other cash payments based on volume purchases of Approved Supplies, Products and Services used by our franchised, company-owned or affiliated CAFÉ MEXICALI Restaurants. We anticipate that certain volume discounts, rebates and other cash payments received by us as a direct result

of your purchase of Approved Supplies, Products and Services will be, in our sole discretion: (a) paid to you, (b) contributed to the development and implementation of our plan for advertising CAFÉ MEXICALI Restaurant Network services and products, (c) retained by us, or (d) otherwise used to benefit the CAFÉ MEXICALI Restaurant network. In all cases, we will deduct our expense to coordinate and test products, services or other items.

We do not provide or withhold material benefits to you (such as renewal rights or the right to open additional Restaurants) based on whether or not you purchase Approved Supplies, Products and Services through the suppliers we designate or approve. However, purchases of unapproved products and services and/or purchases from unapproved vendors in violation of the Franchise Agreement will entitle us, among other things, to terminate your Franchise Agreement and/or Development Agreement.

We have not arranged for any purchasing cooperatives for our franchisees, but we reserve the right to do so in the future.

We estimate that the purchases described above will equal approximately 75% to 85% of the total cost to establish your CAFÉ MEXICALI Restaurant, and approximately 50% to 60% of your ongoing operating expenses.

The Brand Standards Manual requires that you obtain and install in your CAFÉ MEXICALI Restaurant data processing equipment, computer hardware, required dedicated telephone and power lines, modems, printers, and other computer related accessory or peripheral equipment (collectively, your “Technology and Information Systems”, as defined in Item 11) that are compatible with our CAFÉ MEXICALI Operating System (if applicable) and any other then current electronic collection and retrieval systems we have designated. Our then current approved Technology and Information Systems are included in our Approved Supplies, Products and Services. We may develop and require you to use our CAFÉ MEXICALI Operating System and may in the future require replacement or other proprietary operating systems and/or processes relative to point of sale, bookkeeping, operations and financial information, inventory and speed of service processes in connection with the operation of your CAFÉ MEXICALI Restaurant, and require you to obtain and at all times utilize the services of a credit card processor approved by us. Additionally, we may require that you input and maintain in your computer certain software programs, data and information that we prescribe. See Items 6 and 11.

As of the date of this Disclosure Document, you must purchase a computer system and software that meets our specifications. We require you to install and maintain a hardware and software firewall device on your point-of-sale network that follow closely to the Payment Card Industry (PCI) DSS merchant requirements as stated on the <http://www.pcisecuritystandards.org>. See Item 11 for description of your computer and software requirements.

You must also obtain and maintain at your own expense insurance policies with insurers reasonably satisfactory to us covering the items specified in the Brand Standards Manual, including comprehensive general liability, fire and extended coverage, employment relations, worker’s compensation and business interruption policies. You must list us as additional insureds. Our current requirements are described in the Summary Pages to the Franchise Agreement (attached as Exhibit B to this Disclosure Document). If you do not provide proof of insurance to us as required under the Franchise Agreement, we may secure insurance for you and charge the cost to you.

ITEM 9
FRANCHISEE'S OBLIGATIONS

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

Obligation	Section in Franchise Agreement	Section in Development Agreement	Disclosure Document Item
(a) Site selection and acquisition/lease	§ 8	Summary Pages, §§ 3 and 5	7 and 11
(b) Pre-opening purchases/lease	§ 7(iv)	Summary Pages, §§ 3 and 5	5, 7, 8 and 11
(c) Site development and other pre-opening requirements	§§ 2, 7(iv), 8 and 9	Summary Pages, §§ 3 and 5	7 and 11
(d) Initial and ongoing training	Summary Pages, §§ 7(a)(iii), 9(d), and 9(w)	§§ 5(c) and 5(d)	6, 7 and 11
(e) Opening	Summary Pages, §§ 7(a)(iv), 9(f) and 10(a)	Summary Pages, §§ 5(b) and 6	11
(f) Fees	Summary Pages, §§ 2, 5 and 10(c)	Summary Pages, §§ 2, 6, 7 and 13	5, 6, 7 and 11
(g) Compliance with standards and policies/Brand Standards Manual	§§ 2, 6(b), 6(c), 6(d), 7(a)(iii), 7(b)(iv), 9(a), (c), 9(f), 9(i), 9(m), 9(n), 9(o), 9(q), 9(r), 9(s), 9(t), 9(v), 9(w), 9(x-z), 9(dd), 9(ee)(i), 10(a), 11(b)(ii), 11(d)(i), 11(f), 13(b), 14(a), 15(c)(iii), 16(b)(iii), 17(a)(i-ii), 18(a)(iv) and 23(e)	§§ 2, 3(b)	8, 11, 14 and 16
(h) Trademarks and proprietary information	§§ 2, 3, 6(a), 9(f), 9(k), 9(q), 9(w), 11(c), 13, 15(a), 17(a) and 18(a)(ii)	§§ 2, 8	13 and 14
(i) Restrictions on products/services offered	§§ 9, 10(b)(i), 11(a)(iii) and 13(a)(iv)	Not Applicable	8 and 16
(j) Warranty and customer service requirements	§§ 9(s) and 9(v) and 16(c)(ii)	Not Applicable	None
(k) Territorial development and sales quotas	§§ 2, 5(b), 14(b), 14(c) and <u>Exhibit B</u>	Summary Pages, §§ 3 and 8	12

Obligation	Section in Franchise Agreement	Section in Development Agreement	Disclosure Document Item
(l) On-going product/service purchases	§§ 2, 3(a), 3(e)(i-iv), 6, 7(b)(ii), 9(i-j), 9(m-n), 13(a)(iii) and 13(a)(vii)	Not Applicable	8
(m) Maintenance, appearance and remodeling requirements	§§ 6(c) and 9(q-r)	Not Applicable	None
(n) Insurance	Summary Pages, §§ 9(ee) and 18(a)(iv)	Not Applicable	7 and 8
(o) Advertising	Summary Pages, § 10	Not Applicable	6, 7 and 11
(p) Indemnification	§ 18	§ 9	6
(q) Owner's participation/management/staffing	Summary Pages, §§ 2, 7, and <u>Exhibit A</u>	Summary Pages, §§ 5(c) and (d) and <u>Exhibits A</u> and <u>Exhibit B</u>	11 and 15
(r) Records/reports	Summary Pages, §§ 2, 5(f), 9(x-z) and 11(f)	§ 3(b)	6
(s) Inspection/audits	§§ 9(cc), 9(dd) and 11(f)	§ 3(b)	6
(t) Transfer	§ 15	§ 13	6 and 17
(u) Renewal	§ 12	Not Applicable	6 and 17
(v) Post-termination obligations	§ 17	§§ 12 and 13	17
(w) Non-competition covenants	§ 14	§ 10(b) and <u>Exhibit B</u>	17
(x) Dispute resolution	§ 20	§ 14	17
(y) Liquidated Damages	§ 22, <u>Exhibit A</u> and <u>Exhibit B</u>	<u>Exhibit A</u> and <u>Exhibit B</u>	6

ITEM 10 FINANCING

We do not currently offer you any direct or indirect financing, nor do we receive any payments from any person offering financing to or arranging financing for a prospective CAFÉ MEXICALI Restaurant franchisee. We do not guarantee your note, lease or any other financial 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.

Before you open your CAFÉ MEXICALI Restaurant, we will:

- (1) Provide a list that describes or shows the Brand Standards for the leasehold improvements, furniture, fixtures, equipment (including Technology and Information Systems), signage and trade dress

that you must purchase, obtain and use in your CAFÉ MEXICALI Restaurant. We do not currently provide leasehold improvements, furniture, fixtures, equipment, signage and trade dress directly, nor do we deliver or install any leasehold improvements, furniture, fixtures, equipment, signage and trade dress in your Restaurant, but we reserve the right to require you to contract with a third party vendor of our designation who provides you with and/or installs certain leasehold improvements, furniture, fixtures, equipment, signage and trade dress in your Restaurant. We may provide your architect or general contractor information about the sequence of events and procedures that must be followed in building out and equipping a CAFÉ MEXICALI Restaurant (Franchise Agreement, Section 7(a)(i)).

(2) Provide a list that describes or shows the Brand Standards for the Approved Supplies, Products and Services needed to stock and operate your Restaurant, together with the names of any suppliers we have designated or approved. We do not currently provide any Approved Supplies, Products and Services that you must use and offer for sale in your Restaurants, nor do we deliver or install any Approved Supplies, Products and Services in your Restaurant (Franchise Agreement, Section 7(a)(ii)).

(3) Provide initial training to up to four persons in partial consideration for the payment of the Initial Franchise Fee (Franchise Agreement, Section 7(a)(iii)).

(4) Loan you a copy of our Brand Standards Manual (Franchise Agreement, Section 7(a)(iii)). The table of contents of the Brand Standards Manual is attached to this disclosure document as Exhibit D. As of the date of this Disclosure Document, the Brand Standards Manual contains 352 electronic pages. Our System does not include any personnel policies or procedures or security-related policies or procedures that we (at our option) may make available to you in the Brand Standards Manual or otherwise for your optional use. You will determine to what extent, if any, these policies and procedures might apply to your operations at your CAFÉ MEXICALI Restaurant. We neither dictate nor control labor or employment matters for franchisees and their employees and we are not responsible for the safety and security of your Restaurant employees, contractors or Customers.

(5) Provide opening assistance for your first CAFÉ MEXICALI Restaurant in consideration of your reimbursement of our costs for approximately six consecutive days in the aggregate before, during, and after the actual opening date of the Restaurant, for which you agree to reimburse us for our related expenses (Franchise Agreement, Section 7(a)(iv)).

(6) Provide general pre- and post-opening guidance to assist you in complying with our Brand Standards (Franchise Agreement, Sections 7(a)(iv) and 7(b)(i)).

(7) Implement (if/when available) and connect you to our web-based CAFÉ MEXICALI Operating System (if applicable) (Franchise Agreement, Section 7(a)(v)).

After you open your CAFÉ MEXICALI Restaurant, we will provide the following services and assistance to you:

(1) Implement (if/when available) and maintain and authorize you to use our web-based CAFÉ MEXICALI Operating System (if applicable) (Franchise Agreement, Section 7(b)(ii)).

(2) Provide advice and assistance as we deem advisable in planning publicity and promotions for your Restaurant's promotion, including print media and display advertising (Franchise Agreement, Section 7(b)(iii)).

(3) Provide staff accessible to you and your key employees, to the extent we deem advisable, for consultation by telephone, fax, written communication, e-mail and other forms of electronic communication during regular business hours (Franchise Agreement, Section 7(b)(iv)).

(4) Loan you additions and supplements to the Brand Standards Manual as they become available (Franchise Agreement, Section 7(b)(v)).

(5) So long as you are in full compliance with the Franchise Agreement and all other agreements with us, we will invite you to attend all conventions, seminars and other franchisee-oriented functions we plan occasionally (Franchise Agreement, Section 7(b)(vi)).

(6) Sell to you, or cause our affiliates to sell to you, the then current array of Approved Supplies, Products and Services that we or our affiliates manufacture or distribute and have mandated or authorized for use, offer or sale in CAFÉ MEXICALI Restaurants (if any) (Franchise Agreement, Section 7(vii)).

(7) Provide promotional and marketing supplies and digital marketing materials and/or templates as we may periodically develop (Franchise Agreement, Sections 9(r) and 10(a)).

Site Selection

If you have not already secured a site before signing the Franchise Agreement, then within 180 days after signing the Franchise Agreement, you must locate and obtain our approval for a site within an agreed target area (described in the Franchise Agreement) for the establishment and operation of your Restaurant. (Franchise Agreement, Sections 8(a) and (b)). We do not own the site or lease it to you. Nor do we select your site, although we do determine in your Franchise Agreement the target area in which you may consider sites.

You must submit to us:

- (1) a completed site review form designated by us, which will include, among other things, demographic information, a site plan, and traffic-related information;
- (2) if the premises for the proposed site are to be leased, satisfactory evidence that the lessor will agree to the minimum requirements contained in the Franchise Agreement; and
- (3) any other information or materials as we require, such as a letter of intent or other document which confirms your favorable prospects for obtaining the proposed site.

On receipt of all requested documentation, we will notify you of our approval or disapproval in writing within a period of 30 days. All of our decisions are final. Our approval of a site does not constitute an assurance, representation or warranty of any kind, express or implied, as to the suitability of the site for your Restaurant or for any other purpose or of the financial success of operating your Restaurant at such site.

Upon your written request, we may grant a written extension or extensions to the period for approval of a proposed site, but only if we believe you are actively seeking a site. If we have not granted you a written extension, your failure to obtain approval for a site for your Restaurant within 180 days after the execution of the Franchise Agreement will be a default of your Franchise Agreement, and we may demand cure within 15 days or we may terminate your Franchise Agreement and retain all monies paid to us.

If you will occupy the premises of your CAFÉ MEXICALI Restaurant under a lease, you must submit a copy of the lease containing our form of lease rider to us for written approval prior to its execution and must furnish to us a copy of the executed lease within 10 days after execution. No lease for your Restaurant premises will be approved by us unless it contains the lease rider and other terms set forth in the Franchise Agreement. A copy of the lease rider is attached as an Exhibit to the Franchise Agreement. If you will purchase the premises for your Restaurant, you must submit a copy of the proposed contract of sale to us for our written approval before its execution and must furnish to us a copy of the executed contract of sale within 10 days after execution.

The factors that we consider in approving your site include the property's location, the daytime employment and population density of the neighborhood, traffic patterns, lot size and configuration, parking ratios established by local zoning ordinances and access and visibility of the property from adjoining roads or highways. You must open your CAFÉ MEXICALI Restaurant no later than the required opening date assigned to you by us and listed on the Summary Pages of your Franchise Agreement.

Once your site is approved, we will prepare an updated Summary Pages to the Franchise Agreement describing the Restaurant Address and the Territory for your CAFÉ MEXICALI Restaurant. We and you will both initial the new Summary Pages, which will supersede and replace the original Summary Pages in your Franchise Agreement.

We estimate that 90 to 180 days will elapse from the time you receive site approval to the date a CAFÉ MEXICALI Restaurant opens for business. The factors affecting this length of time usually include financing arrangements, construction time for the building and related improvements, local ordinance compliance and delivery and installation of furniture, fixtures, equipment and signs. We will work with you to decide on a scheduled opening date for your Restaurant based on the timing in which you proceed through the site selection, construction and training process.

You must open your CAFÉ MEXICALI Restaurant by the Required Opening Date listed in the Summary Pages to the Franchise Agreement, which is typically 270 days from the date you sign your Franchise Agreement. The factors which affect this time are the ability to obtain a deed or lease, financing or building permits, zoning and local ordinances, weather conditions, shortages, and delayed installation of equipment, fixtures and signs.

You may not begin using the Marks in connection with the operation of your CAFÉ MEXICALI Restaurant until: (1) your Training Team has successfully completed initial training in according with the terms of the Franchise Agreement; (2) all amounts then due to us have been paid; (3) we have been furnished with copies of all insurance policies required by the Franchise Agreement, or such other evidence of insurance coverage and payment of premiums as we request; and (4) all Approved Supplies, Products and Services are verified to be in place and/or use (an no unapproved products or services are in place and/or in use).

Failure to timely open your CAFÉ MEXICALI Restaurant is a curable default under your Franchise Agreement and may result in the termination of your Franchise Agreement. It is possible that we will occasionally extend the time frame for opening your Restaurant based upon specific facts and circumstances.

Training Program

Development Agreement

If you sign a Development Agreement with us, depending on your Controlling Principal's experience, we may invite your Controlling Principal to travel to Greeley, Colorado for one day of development training at our headquarters to help generally familiarize you with our CAFÉ MEXICALI Restaurant development and opening process. You will be solely responsible for all of your Controlling Principal's expenses to attend development training, including air and ground transportation, meals and lodging.

Franchise Agreement

Before opening your Restaurant, your Controlling Principal, Operator, General Manager (if your Controlling Principal is not also your Operator and/or General Manager), and other designated and approved persons up to a maximum of four attendees (collectively, your "Training Team") must complete our mandatory initial training program to our satisfaction.

We anticipate that your Training Team will need to attend our full initial training program, but we may waive this requirement or permit a reduced training program depending on the experience and/or role of one or more of your Training Team members. When your Training Team arrives for training, we will loan you one copy of the Brand Standards Manual. You do not pay us a separate fee for your initial Training Team to participate in our initial training program, but we may charge you an additional fee, currently equal to \$450 per person or trainer (as applicable) per day, for any additional required or optional training and training for additional or replacement Training Team members.

The initial training lasts approximately three weeks for your Controlling Principal/Operator/General Manager as well as for the rest of your Training Team. Classes are expected to be conducted at our headquarters in Greeley, Colorado and in the field at several CAFÉ MEXICALI Restaurants in the Greeley, Colorado area owned and operated by our affiliates. Your entire Training Team must begin training at least six weeks before the expected opening date of your Restaurant, and must complete training at least two weeks before the expected opening date of your Restaurant. If your Training Team personnel cannot complete training to our satisfaction, we may terminate your Franchise Agreement and retain all fees paid to us. You will be responsible for all your travel expenses and room, board and wages of your Training Team who attend our initial training program or any other mandatory or available training programs. We may periodically make other mandatory or optional training available to your personnel as well as other programs, seminars and materials, and you will ensure that your personnel, as we direct, satisfactorily complete any required training within the time specified.

The following charts summarize Cafe Mexicali's current initial Training Program for your management staff:

TRAINING PROGRAM

Training Program for Controlling Principal, Operator, and General Manager:

Subject	Hours of Classroom Training	Hours of On-The-Job Training	Location
Orientation	6	0	Affiliate Restaurant
Position, Services and Standards	0	90	Affiliate Restaurant
General Manager Training	0	20	Affiliate Restaurant
Questions and Answers	4	0	Affiliate Restaurant
Totals	10	110	Affiliate Restaurant

Training Program for Shift Supervisor:

Subject	Hours of Classroom Training	Hours of On-The-Job Training	Location
Orientation	6	0	Affiliate Restaurant
Position, Services and Standards	0	90	Affiliate Restaurant
Shift Supervisor Training	0	20	Affiliate Restaurant
Questions and Answers	4	0	Affiliate Restaurant
Totals	10	110	Affiliate Restaurant

Training Program for Multi-Unit Manager¹

Subject	Hours of Classroom Training	Hours of On-The-Job Training	Location
Orientation	6	0	Affiliate Restaurant
Position, Services and Standards	0	90	Affiliate Restaurant
Multi-Unit Manager Training	0	20	Affiliate Restaurant
Questions and Answers	4	0	Affiliate Restaurant
Totals	10	110	Affiliate Restaurant

Note 1. If your Controlling Principal is also the Operator and/or General Manager, Multi-Unit Manager training is required on the opening of the third location. If your Controlling Principal is neither the Operator nor General Manager, Multi-Unit Manager training is required prior to the opening of your second location.

The Training Programs will be conducted under the supervision of Richard A. Krammer, Chief Executive Officer, who has been with us since our inception and in the restaurant industry since 1977. All training will be conducted by instructors who have at least one year of experience with CAFÉ MEXICALI Restaurants or in restaurant operations.

In connection with the opening of your first CAFÉ MEXICALI Restaurant, up to three of our operations representatives will travel to your Restaurant to provide you with on-site pre-opening and opening training, supervision and assistance for approximately six consecutive days in the aggregate immediately before your scheduled opening date and after your opens for business. You will promptly reimburse us for all of our costs associated with such pre-opening and post-opening assistance, such as costs of travel, lodging, meals and prorated wages. See Item 5.

You are expected to provide your own opening support for your second and each additional CAFÉ MEXICALI Restaurant, but we may provide some lesser amount of opening support upon request or if we deem it necessary.

We reserve the right to require you to pay us our then current additional training fee (currently \$450 per trainer per day) if after opening you request additional training or the training of replacement Training Team members.

We will train you on our CAFÉ MEXICALI Operating System (if then applicable) as part of your initial training. However, in connection with your purchase of your other Technology and Information Systems, we expect that you will obtain training directly from the vendor of these other systems as part of your initial purchase. You will be responsible for all expenses incurred during any such other Technology and Information Systems training, which we have described in Items 6, 7 and 11.

Advertising and Promotions

Grand Opening Advertising

You must make the Grand Opening Ad Expenditure (currently at least \$12,000) during the 90 days before the scheduled opening date and for the 90 days following the commencement of operations of your CAFÉ MEXICALI Restaurant for an initial opening advertising and promotion program to be conducted in accordance with our Brand Standards. You must submit a grand opening advertising budget to us for approval at least 60 days before making the Grand Opening Ad Expenditure. The Grand Opening Ad Expenditure will be paid directly to the applicable service providers and not to us unless otherwise directed. You must submit proof of payment of the Grand Opening Ad Expenditure on our request.

Capped Payment and Reallocation of Local Ad Expenditure, Advertising Fee, Ad Fund Contribution and Area Cooperative Contribution

Ongoing Local Ad Expenditures Advertising Fees, Ad Fund Contributions and Area Cooperative Contributions are described in detail below, however, regardless of the expenditure, fee, or contribution amount we set under each of these categories, the aggregate of your Local Ad Expenditures, Advertising Fees, Ad Fund contributions and Area Cooperative contributions will not exceed 4% of Gross Sales.

We may, though, during the term of your Franchise Agreement, reallocate the 4% of Gross Sales in different proportions between the Local Ad Expenditure, Advertising Fee, the Ad Fund, or the Area Cooperative.

Local Advertising

Throughout the term of the Franchise Agreement, you must spend the Local Ad Expenditure on approved local advertising. The Local Ad Expenditure is currently an amount equal to 3% of Gross Sales for your first 20 weeks in operation, after which the Local Ad Expenditure decreases to 2% of Gross Sales, though we may increase it to up to 4% of Gross Sales as noted below.

You must submit to us an advertising expenditure report accurately reflecting all local advertising expenditures no later than the seventh day of each month during the term of the Franchise Agreement (or at any other frequency or on any other date directed by us in writing). In addition to the restrictions set forth below, costs and expenditures incurred in connection with any of the following will not be included in your expenditures on local advertising, unless approved in advance by us in writing.

- (a) Incentive programs for your employees or contractors;
- (b) Research expenditures;
- (c) Free Approved Supplies, Products and Services costs incurred in any promotion;
- (d) Salaries and expenses of any of your employees, including salaries or expenses for attendance at advertising meetings or activities;
- (e) Charitable, political or other contributions or donations;
- (f) Press parties or other expenses of publicity;
- (g) Sample materials for use in your office or in the field;
- (h) Seminar and educational costs and expenses of your employees; and
- (i) Specialty items such as T-shirts, pins, and awards, unless those items are part of a market-wide advertising program and then only to the extent that the cost of the items is not recovered by the promotion.

You must participate in all system-wide promotions and advertising campaigns which we originate. We may or may not count your expenditures in such promotion and advertising campaigns towards your Local Ad Expenditure or other marketing requirements.

Should you create your own local advertising and promotions, we reserve the right to approve in advance of their use any graphic materials or commercials developed by you and the media in which they are placed.

We may unilaterally require that you pay all or any portion of the Local Ad Expenditure as an Advertising Fee (see below), to an Ad Fund (see below) and/or an Area Cooperative (see below); but in all cases that combined amount to be spent as the Local Ad Expenditure or to be paid as an Advertising Fee, to an Ad Fund and/or to an Area Cooperative will not exceed a maximum of 4% of your Gross Sales.

Advertising Fee

You must pay us an Advertising Fee. While we do not currently impose the Advertising Fee, we do reserve the right to increase it to up to 4% of Gross Sales as noted below. The Advertising Fee is due no later than the first day of after each Accounting Period during the term of the Franchise Agreement. We will use the Advertising Fee to reimburse ourselves and our affiliates for administrative costs and expenses related to implementing general advertising programs and assistance for CAFÉ MEXICALI Restaurants.

Our other permitted administrative costs may in all cases include (i) creating advertising and marketing materials relating to the System and the Products and services CAFÉ MEXICALI Restaurants offer and sell, including materials for, among other mediums, print, radio or television on a local, regional or national basis, (ii) creating an Ad Fund (see below), (iii) paying for public relations services and projects (including

sponsorships) intended to enhance the goodwill and public image of the System generally, (iv) conducting market research, focus groups and advertising tracking studies, and (v) reimbursing us or our affiliates (based on allocations calculated by our management): (a) for salaries and other overhead expenses that are directly related to projects of a character described above, depending on markets and population, and (b) for part of the cost of maintaining an internet website that we develop and maintain to advertise and promote CAFÉ MEXICALI Restaurants and the Products and services that the Restaurants offer (the “Website”) and any related uses of Social Media (defined below). We will not use Advertising Fees to pay for those components of the Website that publicize the franchise program or the sale of franchises.

We will strive to spend Advertising Fees in a manner that provides advertising benefits to all CAFÉ MEXICALI Restaurants. However, we may allocate Advertising Fees to various permitted uses as we see fit and we do not guarantee that all Restaurants will receive equal advertising benefits.

We are not required to prepare or to provide to you financial statements reflecting our use of Advertising Fees, and do not intend to make financial statements available to you.

We may unilaterally require that you spend or pay all or any portion of the Advertising Fee as an Local Ad Expenditure, to an Ad Fund and/or an Area Cooperative; but in all cases that combined amount to be spent as the Local Ad Expenditure or to be paid as an Advertising Fee, to an Ad Fund and/or to an Area Cooperative will not exceed a maximum of 4% of your Gross Sales.

Ad Fund

We reserve the right to create an Ad Fund to, among other things, arrange for, place and run advertisements, commercials and promotional materials in local, regional and national media. If created, you must make contributions to the Ad Fund in the manner (including payment by automatic debit), and at the rate we establish. As set forth in Item 6, the Ad Fund contribution rate will be up to a maximum of 4% of Gross Sales and would be payable no later than the first day of each Accounting Period during the term of the Franchise Agreement. Franchisor/affiliate-operated CAFÉ MEXICALI Restaurant (if any) will not be required to contribute to the Ad Fund on the same basis as franchisees, but we anticipate they will contribute to the Ad Fund in a similar manner. We can re-allocate monies from the Local Ad Expenditure, Advertising Fee, Ad Fund contributions and Area Cooperative contributions, but the aggregate of your Local Ad Expenditures, Advertising Fee, Ad Fund contributions, and Area Cooperative contributions will not exceed 4% of Gross Sales.

We or our designee will administer the Ad Fund. The Ad Fund will be used for all the advertising and administrative activities for which we use the Advertising Fee, but it will also be used to arrange for, place and run advertisements, commercials and promotional materials in local, regional and national media. We will not use Ad Fund contributions to pay for materials that publicize the franchise program or the sale of franchises. We would generally work with an advertising agency in developing advertising for print, radio or television, but will also use in-house staff. (Franchise Agreement, Section 10(d)).

We will use Ad Fund contributions in a manner that provides marketing benefits to the entire network of CAFÉ MEXICALI Restaurants, including franchised and franchisor/affiliate-operated, as a whole. However, we may allocate Ad Fund contributions to various permitted uses as we see fit. We will strive to spend Ad Fund contributions in a manner that provides advertising benefits to all participating CAFÉ MEXICALI Restaurants. However, we do not guarantee that all Restaurants will receive equal advertising benefits in view of regional differences in media costs, varying degrees of market penetration in different areas. Nor do we guarantee that all franchisees will contribute to the Ad Fund at the same rate.

We may structure the Ad Fund’s organization and administration in ways that, in our judgment, most effectively and efficiently accomplish the Ad Fund’s objectives. We may organize or reorganize the Ad Fund as a separate non-profit corporation or other appropriate entity and transfer the Ad Fund’s assets to another entity. If we establish another separate entity to administer the Ad Fund, you must become a member of the entity and, in that regard, to sign a participation agreement and take such other steps as we specify.

As of the date of this Disclosure Document, we have not yet established an Ad Fund. Hence, the percentage of advertising fund money spent on production, media placement, administrative expenses and other items cannot be calculated for our last fiscal year. We are not required to prepare or to provide to you audited or unaudited financial statements for the Ad Fund. However, we intend to make annual unaudited statements available to you if we create an Ad Fund. If any funds remain at the end of the tax year in which they were contributed, all expenditures in the following year will be made first out of the accumulated earnings from the prior years.

Area Cooperatives

If you and at least one other CAFÉ MEXICALI Restaurant (including us) have opened in the same Designated Market Area (“DMA”), as used by the Neilson Rating Service or its successor to demarcate the primary coverage of broadcast and print media in given markets, we may require that you and the other CAFÉ MEXICALI Restaurants form a cooperative advertising association (an “Area Cooperative”). Your contribution to the Area Cooperative may be separate from or deducted from Local Ad Expenditures, Advertising Fees or Ad Fund contributions (as may be applicable), in addition to your contributions to any Ad Fund. To fund the Area Cooperative, we will re-allocate all or any portion of the Local Ad Expenditures, Advertising Fees or Ad Fund contributions to the Area Cooperative; but the aggregate of your Local Ad Expenditures, Advertising Fee, Ad Fund contributions, and Area Cooperative contributions will not exceed 4% of Gross Sales. CAFÉ MEXICALI Restaurants within the Area Cooperative DMA operated by us or our affiliates must contribute to the Area Cooperative on the same basis as franchisees.

The members of the Area Cooperative will administer the Area Cooperative, and determine if written governing documents are used, if the documents are made available to members and whether annual or other reports are prepared, but we reserve the right to require that any Area Cooperatives be formed, charged, dissolved or merged.

Area Cooperatives must use our marketing materials. In rare instances we may make exceptions. Any marketing materials not created by us are subject to our approval, and must be submitted to us well in advance of their distribution, publication or broadcast. (Franchise Agreement, Section 10(e)).

Gift Card and Customer Loyalty Programs

We may occasionally develop and administer, or grant you permission to participate in, gift card, gift certificate or voucher sales programs, customer retention and loyalty programs or other programs designed to promote and enhance the collective success of all CAFÉ MEXICALI Restaurants. You must participate in any such gift card, gift certificate, voucher or customer loyalty program we establish, and honor any such gift cards, gift certificates, vouchers or loyalty awards presented for redemption at the CAFÉ MEXICALI Restaurant. You may not create or issue your own gift cards, gift certificates or vouchers, or create your own loyalty program, unless we expressly permit you to do so in writing. Nor may you sell gift cards, gift certificates or vouchers in bulk or to any retailers for resale. You are responsible for signing any third-party agreements and paying any third-party fees that are required for participation in these programs.

Franchisee Advertising Council

We do not currently have a franchisee advertising council that advises on advertising policies. We may form a franchisee advertising council in the future, but we have no obligation to do so. If we form a franchisee advertising council, we will have the right to determine how its members are selected and the scope of its authority as well as the right to change or dissolve the franchisee advertising council.

Website, Social Media, and the Internet

We operate an internet website that provides information about our affiliate’s CAFÉ MEXICALI Restaurants and about CAFÉ MEXICALI Restaurants generally. We have sole discretion and control over the website (including timing, design, contents and continuation) and may (but are not required to) include at the website interior pages containing information about our franchisees’ CAFÉ MEXICALI Restaurants.

We may offer and sell Approved Supplies, Products and Services to Customers through the internet website or other websites, including in your Territory and/or Development Area. See Item 12.

You will have no right, license, or authority to use any of the Marks on or in connection with our website or any other website, except as we provide in the Franchise Agreement. (Franchise Agreement, Section 11(a)-(b)).

Unless we agree in writing, neither you nor your Principals, employees or agents may use the Marks or otherwise mention your CAFÉ MEXICALI Restaurant, the CAFÉ MEXICALI Network or System in connection with any business or personal uses of Social Media, which we define as any and all existing or future forms of electronic communication, whether for business or personal use (including via internet forums, weblogs, social blogs, wikis, podcasts, pictures and videos) through which users create or use online networks or communities (including but not limited through online communities such as Facebook, Twitter, Instagram, SnapChat, LinkedIn, YouTube, Yelp or Wikipedia and other similar content sharing outlets) to share information, ideas, personal messages, and other online content.

In all cases, we have sole discretion and control over any profiles using or relating to the Marks, your CAFÉ MEXICALI Restaurant, the CAFÉ MEXICALI Network or System, or that display the Marks that are maintained or posted on Social Media. We may (but need not) establish guidelines pursuant to which you may establish profiles or otherwise establish a presence on Social Media. In such event, you will comply with the standards, protocols and restrictions that we impose, and we can revoke any prior permissions at any time. We can remove references to your Restaurant from the Website with or without notice to you if you are not then in current compliance with the Franchise Agreement. We may use part of the Advertising Fee monies to pay or reimburse the costs associated with the development, maintenance and update of profiles on Social Media. You will indemnify us if we incur losses and expenses from any authorized or unauthorized use of Social Media. (Franchise Agreement, Section 11(c)).

CAFÉ MEXICALI Intranet

We may establish and maintain an intranet facility through which members of the entire network of CAFÉ MEXICALI Restaurants, including franchised and franchisor/affiliate-operated Restaurants, may communicate with each other and through which we may disseminate updates and supplements to the Brand Standards Manual and other confidential information (the “Intranet”). We will have no obligation to maintain the Intranet indefinitely if we establish the Intranet, we will establish policies and procedures for the Intranet’s use. These policies, procedures and other terms of use will address issues such as (a) restrictions on the use of abusive, slanderous or otherwise offensive language in electronic communications; (b) restrictions on communications that endorse or encourage breach of any your franchise agreement; (c) confidential treatment of materials that we transmit via the Intranet; (d) password protocols and other security precautions; (e) grounds and procedures for our suspending or revoking your access to the Intranet; and (f) a privacy policy governing our access to and use of electronic communications that franchisees post on the Intranet. The Intranet facility and all communications that are posted to it will become our property. You must purchase and install all necessary additions to the Restaurant’s information system and establish and continually maintain electronic connection with the Intranet that allows us to send messages to and receive messages from you. Your obligation to maintain connection with the Intranet will continue until your Franchise Agreement’s expiration or termination (or, if earlier, until we dismantle the Intranet). You must contribute to the cost of the Intranet’s maintenance and further development as provided in Item 6. (Franchise Agreement, Section 11(d)).

Online or Mobile Ordering and/or Third-Party Delivery Programs and Service Providers

We have the right to designate one or more online or mobile ordering and/or third-party delivery programs or service providers in our sole and absolute discretion. You must participate in and use any such ordering and/or delivery program or service providers that we designate, and refrain from using any other ordering and/or delivery program or service providers without our prior written approval. You can request the approval of an ordering and/or delivery program or service provider by notifying us in writing and submitting such information and the draft agreement for such ordering and/or delivery program or service

provider as we may request. We may require you to pre-pay any reasonable charges connected with our review and evaluation of any proposal. We will notify you of our decision within a reasonable time after our receipt of all required information and the applicable agreement. We may approve, or revoke or deny approval, of any ordering and/or delivery program or service provider in our sole and absolute discretion. Designation of a ordering and/or delivery program or service provider may be conditioned on factors, including without limitation, our right to obtain and verify gross sales placed through the ordering and/or delivery program or service provider platform, the amount of service charges paid to the ordering and/or delivery program or service provider and the ordering and/or delivery program or service provider's standards for handling food, ordering and delivery. Except as noted above, there are no restrictions on the retail customers or trade area you may serve from your CAFÉ MEXICALI Restaurant, but as a practical matter you will mainly serve customers who choose to visit or patronize your Restaurant. See Item 12.

Customer Information/Privacy and Data Protection

All Customer Information that we obtain from you and that you collect from your CAFÉ MEXICALI Restaurant Customers and all revenues we derive from such Customer Information will be our property and our Confidential Information that we may use for any reason without compensation to you. At your sole risk and responsibility, you may use such Customer Information that you acquire from your Customers and other third parties solely in connection with operating the CAFÉ MEXICALI Restaurant. (Franchise Agreement, Section 11(e)).

You will: (i) comply with all applicable privacy laws ("Privacy Laws"); (ii) comply with all Brand Standards that relate to Privacy Laws and the privacy and security of Customer Information; (iii) comply with any posted privacy policy and other representations made to the individual identified by Customer Information you process, and communicate any limitations required thereby to any authorized receiving party in compliance with all Privacy Laws; (iv) refrain from any action or inaction that could cause us to breach any Privacy Laws; (v) maintain reasonable physical, technical and administrative safeguards for Information that is in your possession or control in order to protect the same from unauthorized processing, destruction, modification, or use that would violate the Franchise Agreement or any Privacy Law; (vi) do and execute, or arrange to be done and executed, each act, document and thing we deem necessary in our business judgment to keep us in compliance with the Privacy Laws; and (vii) immediately report to us the theft or loss of Customer Information (other than the Customer Information of your own officers, directors, shareholders, employees or service providers).

You will, upon request, provide us with information, reports, and the results of any audits performed on you regarding your data security policies, security procedures, or security technical controls related to Customer Information. You will, upon our request, provide us or our representatives with access to your systems, records, processes and practices that involve processing of Customer Information in order to mitigate a security incident or so that an audit may be conducted.

You will indemnify, defend and hold us harmless from losses arising out of or relating to: (i) any theft, loss or misuse of Customer Information; and (ii) your breach of any of the terms, conditions or obligations relating to data security, privacy, or Customer Information set forth in the Franchise Agreement.

You will immediately notify us upon discovering or otherwise learning of any theft, loss or misuse of Customer Information. You will, at our direction, (i) undertake remediation efforts at your sole expense, (ii) undertake effort to prevent the recurrence of the same type of incident, and (iii) reasonably cooperate with any remediation efforts undertaken by us. You will not make any public comment regarding and data security incident without our approval. Any notifications to the media or to Restaurant Customers regarding theft or loss of Customer Information will be handled exclusively by us at our discretion, and you may not contact Restaurant customers relating to such theft or loss unless you are under a legal obligation to do so, in which event (i) you must notify us in writing promptly after concluding that you have the legal obligation to notify Restaurant customers and (ii) you will limit the notices to Restaurant customers to those required by the legal obligation or as pre-approved by us. You will reasonably cooperate in connection with any

notices to Restaurant customers regarding theft or loss and you will assist with sending such notices if so requested. (Franchise Agreement, Section 11(f)).

Technology and Information Systems Hardware and Software

You must acquire, install and use certain computer and electronic systems, peripheral equipment and related software programs and email solutions we specify in the Brand Standards Manual (collectively, “Technology and Information Systems”) to collect, compute, store and report a CAFÉ MEXICALI Restaurant’s Gross Sales, other financial data and operating information, and must also acquire, install and use any telephonic, digital, or electronic operating system, or such technological substitutes as we may determine to be appropriate periodically, including our CAFÉ MEXICALI Operating System described below (if applicable). We will have continuous, uninterrupted access to your Restaurant’s Technology and Information Systems. You must also obtain and utilize services of a credit card processor that we have approved.

As of the date of this Disclosure Document, you must purchase the following items, which constitute our current required Technology and Information Systems:

Hardware
One Administrative Back of House Computer
Point of Sale Equipment – Two to Three Stations
Labeling Machine
Temperature Control System
Software
QuickBooks Accounting Pro Software Package 2011 edition or higher, or an approved equivalent
Microsoft Office 2007 edition or higher (including Word, Excel and Outlook)
Point of Sale System (as described in Brand Standards Manual)
Scheduling and Equipment Temperature Monitoring Services (as described in Brand Standards Manual)

We estimate the initial purchase or lease cost of the current required Technology and Information Systems to be between \$10,000 to \$20,000.

We reserve the right to develop and require you to use our CAFÉ MEXICALI Operating System in your Restaurant. When you sign the Franchise Agreement, you will pay to us a Technology Setup Fee of \$1,000 to offset our costs related to setting you up with our electronic mail system, website, and computer system infrastructure. We do not anticipate charging you any other initial fee or connection fee, but we reserve the right to require you to pay us a monthly Technology Fee for continued access and use of our CAFÉ MEXICALI Operating System in an amount we determine (generally based on our underlying costs per franchisee and currently \$25 per week).

We may electronically poll your Restaurant's Technology and Information Systems to obtain Gross Sales data, as well as other financial and operating information, including Customer Information and other information from the CAFÉ MEXICALI Operating System (if applicable), which will be available to us twenty-four hours every day. You must maintain continual data network access to your Restaurant’s Technology and Information Systems for our use. There are no contractual limitations on our right to access any information or data contained on your Technology and Information Systems.

We have the right to require you to change or upgrade your Technology and Information Systems from time to time, the cost of which we are unable to estimate, but we do not anticipate that the costs for general maintenance would be more than \$500 a year. You must update all Technology and Information Systems

as and when we may specify from time to time in the Brand Standards Manual, and generally no later than 30 days before the then-current Franchise Agreement will expire or upon notice that we have established the Intranet. Except as described above, there are no contractual limitations on the frequency and cost of the obligation to require updates to your Technology and Information Systems.

You are required to install and maintain a hardware and software firewall device on your Technology and Information Systems network that follow closely to the Payment Card Industry (PCI) DSS merchant requirements as stated on the <http://www.pcisecuritystandards.org>. The network must be segmented off of other internal business networks. You must use internal or third-party IT network resources, which include security shield, threat defender, and breach protection programs. We may suggest third party PCI compliance vendors to you, but you are responsible for your own PCI compliance at your CAFÉ MEXICALI Restaurant.

ITEM 12

TERRITORY

Franchise Agreement

Under the Franchise Agreement, you are granted the right to operate one CAFÉ MEXICALI Restaurant, at the fixed, physical premises of the Restaurant Address that will be specified in the Franchise Agreement. Your use of the Marks or any element of the System in the operation of any business at any other address or in any other channel of distribution without our express prior written authorization will constitute willful infringement of our rights in the Marks and the System.

Without our express prior permission, you will have no rights or authority under the Franchise Agreement (i) to sell any Approved Supplies, Products and Services to any wholesale customer; or (ii) to sell any Approved Supplies, Products and Services from catalogues or an internet website; or (iii) to offer or sell any Approved Supplies, Products and Services in a Special Facility, which we define as both (a) an express unit, a mini-CAFÉ MEXICALI Restaurant, or similar fixed installation that contains all necessary items to offer and sell a full or limited range of Approved Supplies, Products and Services, and is located in an airport, sports arena, train or bus station, theme park, military base, higher education campus, office building, convention centers or other special use facility (excluding enclosed shopping malls); and (b) a kiosk, booth, mobile dispensing unit (such as a cart or customized RV) or other mobile installation at or from which select Approved Supplies, Products and Services may be sold to Customers, any of which may operate on a permanent, temporary, or seasonal basis.

You will not receive an exclusive territory. You may face competition from other franchisees, from outlets that we and our affiliates own, or from other channels of distribution that we control, including the internet, and we have no obligation to pay you any compensation for soliciting or accepting orders inside your Territory.

However, if you, your affiliates and Principals are in full compliance with the Franchise Agreement and all other agreements between you, your affiliates and Principals and us and our affiliates, we will not operate or authorize anyone except you to commence operation of a full-size CAFÉ MEXICALI Restaurant from a fixed, physical bricks and mortar retail premises located within your Territory.

Your Territory will be defined in the Summary Pages of your Franchise Agreement by a stated radius around your Approved Location, but will exclude any areas in which we may have existing contractual commitments. Your Territory may be slightly larger or smaller than is typical for the System based on the population surrounding your CAFÉ MEXICALI Restaurant. Excluded areas will be identified in your Franchise Agreement.

In all cases, under the Franchise Agreement, we and our affiliates (and each of their respective successors and assigns, by purchase, merger, consolidation, or otherwise) reserve all rights that the Franchise Agreement does not expressly grant or give to you, including, without limitation:

(i) The right to establish and operate and license others to establish and operate Special Facilities inside or outside the Territory, regardless of proximity to or competitive impact upon the CAFÉ MEXICALI Restaurant.

(ii) The right to establish, operate and license others to establish and operate CAFÉ MEXICALI Restaurants at fixed, physical bricks and mortar retail premises located anywhere other than within the Territory, regardless of proximity to or competitive impact upon your CAFÉ MEXICALI Restaurant and regardless of whether these establishments market their products and services in, or draw Customers from, areas in or around the Territory.

(iii) The right to distribute private label or pre-packaged Approved Supplies, Products and Services, apparel, memorabilia, and other related products and merchandise, whether or not identified by or associated with the Marks, to or through any fixed, physical bricks and mortar retail premises that are not affiliated with us or associated with the CAFÉ MEXICALI Network, including (for example) department stores, supermarkets and convenience stores, anywhere other than at the CAFÉ MEXICALI Restaurant Address, regardless of proximity to or competitive impact upon your Restaurant.

(iv) The right to distribute private label or pre-packaged Approved Supplies, Products and Services, apparel, memorabilia, and other related products and merchandise whether or not identified by or associated with the Marks, to all Persons anywhere other than at the CAFÉ MEXICALI Restaurant Address through catalogues, telemarketing campaigns, an internet website and other direct-order techniques.

(v) The right to broadcast television and radio commercials for direct-order merchandise, initiate internet or telephone contact with and accept internet or telephone orders, and fill orders for direct-order merchandise anywhere other than at your CAFÉ MEXICALI Restaurant Address, regardless of proximity to or competitive impact upon your CAFÉ MEXICALI Restaurant.

(vi) The right to operate, and grant to others the right to operate, restaurant or food service businesses or other types of retail restaurant or food service-related businesses identified by tradenames, trademarks, service marks or trade dress, other than the Marks, pursuant to such terms and conditions as Franchisor deems appropriate, anywhere other than at your CAFÉ MEXICALI Restaurant Address, and regardless of proximity to or competitive impact upon your CAFÉ MEXICALI Restaurant.

(vii) The right to advertise and promote sales of any products and/or services (including those offered by your Restaurant) anywhere, and advertise and promote franchises for CAFÉ MEXICALI Restaurants anywhere, regardless of proximity to or competitive impact upon your Restaurant.

(viii) The right to acquire or be acquired by (regardless of the form of the transaction) a business which operates or licenses others to operate restaurant or food service businesses or other types of retail restaurant or food service-related businesses, and we, our affiliates or any successors or assigns will have the right to operate and/or license others to operate such restaurant or food service businesses or other types of retail restaurant or food service-related businesses under the trademarks or service marks of such other restaurant or food service or other retail restaurant or food service-related businesses at, from and/or physically contiguous to such businesses premises or anywhere else, regardless of proximity to or competitive impact upon your CAFÉ MEXICALI Restaurant.

We have no express obligation or implied duty to protect your revenues from erosion as a result of your CAFÉ MEXICALI Restaurant competing with other CAFÉ MEXICALI Restaurants whether permanently, temporarily or seasonally, and we have no obligation to make any payment or other compensation to you if we solicit or accept orders from inside your Territory.

You may not relocate your Restaurant without our prior written consent. If the lease for your Restaurant expires or is terminated before the end of the Franchise Agreement term, you may move your CAFÉ MEXICALI Restaurant to another location chosen in accordance with our conversion/site selection procedure. The new location (i) must be in the original CAFÉ MEXICALI Restaurant's general Territory (as we determine), and (ii) may in no case infringe upon a franchise agreement or other agreement

applicable to another CAFÉ MEXICALI Restaurant. When we approve the location for the new Restaurant, we will prepare a new exhibit to the Franchise Agreement that describes the new Restaurant's Territory, which may be reduced or even eliminated depending on the location of the relocated CAFÉ MEXICALI Restaurant.

If you lose possession of the original CAFÉ MEXICALI Restaurant's premises because the lease expired by its terms, or on account of condemnation or eminent domain proceedings, you must initiate the relocation procedure in time to lease, build-out and open the new CAFÉ MEXICALI Restaurant for business within 90 days after the original Restaurant closes. The new location (i) must be in the original CAFÉ MEXICALI Restaurant's Territory, (ii) must be consented to by us in accordance with our site consent guidelines and (iii) may in no case infringe upon a Franchise Agreement or other agreement applicable to another CAFÉ MEXICALI Restaurant. We reserve the right to reduce or eliminate the Territory following an approved relocation depending on the new site of the Restaurant.

Your rights with respect to the Territory are not dependent upon your achieving a certain sales volume, market penetration or other contingency. If you are in default and fail to timely cure your default, however, we may alter or reduce your Territory as an alternative remedy to terminating your Franchise Agreement.

Except under the terms of the Development Agreement, we do not grant any options or rights of first refusal to you under the Franchise Agreement to obtain additional Restaurants. If you do not have an existing Development Agreement and desire to open an additional CAFÉ MEXICALI Restaurant, you must be approved and sign a separate Franchise Agreement for that location.

Development Agreement

Under the Development Agreement, you are granted the right to open and operate more than one CAFÉ MEXICALI Restaurant within the Development Area under an agreed Development Schedule.

We determine the Development Area before you sign the Development Agreement based on various market and economic factors like demographics, the penetration of similar businesses, the availability of appropriate sites and growth trends in the market. The Development Area may be all or a portion of a city, a single or multi-county area, or some other area, and will be described in the Development Agreement. The Development Area will exclude any areas as to which we may have existing contractual commitments. These will be identified in your Development Agreement.

If you, your affiliates and your Principals are in full compliance with the Development Agreement and all other agreements with us, we will not operate or authorize anyone except you to commence operation of a full size CAFÉ MEXICALI Restaurant from a fixed, physical bricks and mortar retail premises located within the Development Area.

If you sell the franchise for any CAFÉ MEXICALI Restaurant(s), we may enter into a Franchise Agreement or Development Agreement with the purchaser and may permit the purchaser to relocate such CAFÉ MEXICALI Restaurant(s) inside the Development Area or grant all or a portion of the Development Area as the Territory to the purchaser in accordance with our then-current Franchise Agreement or Development Agreement.

In all cases, under the Development Agreement, we and our affiliates (and each of their respective successors and assigns, by purchase, merger, consolidation, or otherwise) reserve all rights that the Development Agreement does not expressly grant to or confer upon you, including, without limitation:

- (i) The right to establish and operate and license others to establish and operate Special Facilities inside or outside the Development Area, regardless of proximity to or competitive impact upon the CAFÉ MEXICALI Restaurants.

- (ii) The right to establish, operate and license others to establish and operate CAFÉ MEXICALI Restaurants at fixed, physical bricks and mortar retail premises located anywhere other than within the Development Area, regardless of proximity to or competitive impact upon your CAFÉ

MEXICALI Restaurants and regardless of whether these establishments market their products and services in, or draw Customers from, areas in or around the Development Area.

(iii) The right to distribute private label or pre-packaged Approved Supplies, Products and Services, apparel, memorabilia, and other related products and merchandise, whether or not identified by or associated with the Marks, to or through any fixed, physical bricks and mortar retail premises that are not affiliated with us or associated with CAFÉ MEXICALI Network, including (for example) department stores, supermarkets and convenience stores, anywhere other than at your CAFÉ MEXICALI Restaurant Addresses, regardless of proximity to or competitive impact upon your CAFÉ MEXICALI Restaurants.

(iv) The right to distribute private label or pre-packaged Approved Supplies, Products and Services, apparel, memorabilia, and other related products and merchandise whether or not identified by or associated with the Marks, to all Persons anywhere other than at your CAFÉ MEXICALI Restaurant Addresses through catalogues, telemarketing campaigns, an internet website and other direct-order techniques.

(v) The right to broadcast television and radio commercials for direct-order merchandise, initiate internet or telephone contact with and accept internet or telephone orders, and fill orders for direct-order merchandise anywhere other than at your CAFÉ MEXICALI Restaurant Addresses, regardless of proximity to or competitive impact upon your CAFÉ MEXICALI Restaurants.

(vi) The right to operate, and grant to others the right to operate, restaurant or food service businesses or other types of retail restaurant or food service-related businesses identified by tradenames, trademarks, service marks or trade dress, other than the Marks, pursuant to such terms and conditions as Franchisor deems appropriate, anywhere other than at your CAFÉ MEXICALI Restaurant Addresses, and regardless of proximity to or competitive impact upon your CAFÉ MEXICALI Restaurants.

(vii) The right to advertise and promote sales of any products and/or services (including those offered by your Restaurant) anywhere, and advertise and promote franchises for CAFÉ MEXICALI Restaurants anywhere, regardless of proximity to or competitive impact upon your CAFÉ MEXICALI Restaurants.

(viii) The right to acquire or be acquired by (regardless of the form of the transaction) a business which operates or licenses others to operate restaurant or food service businesses or other types of retail restaurant or food service-related businesses, and we, our affiliates or any successors or assigns will have the right to operate and/or license others to operate such restaurant or food service businesses or other types of retail restaurant or food service-related businesses under the trademarks or service marks of such other restaurant or food service or other retail restaurant or food service-related businesses at, from and/or physically contiguous to such businesses premises or anywhere else, regardless of proximity to or competitive impact upon your CAFÉ MEXICALI Restaurants.

Your rights with respect to the Development Area are not dependent upon your achieving a certain sales volume, market penetration or other contingency, but you must open and maintain open the required number of CAFÉ MEXICALI Restaurants in your Development Schedule or else you will be in default. If you are in default and fail to timely cure, we may alter or reduce your Development Area or Development Schedule as an alternative remedy to terminating your Development Agreement.

After your Development Agreement expires, your territorial and other protections to the Development Area end. We do not grant any options or rights of first refusal under the Development Agreement to obtain additional CAFÉ MEXICALI Restaurants. If you desire to open one or more additional CAFÉ MEXICALI Restaurants, you must be approved and sign a separate Development Agreement and/or Franchise Agreement(s) for any new location(s).

We and our affiliates may in the future purchase one or more third party owned retail restaurant or food service businesses and convert them to CAFÉ MEXICALI Restaurant brand businesses. Also, we and our

affiliates may develop, own and sell (directly or through at wholesale to third parties for resale) other restaurant or food service products.

We do not grant you the right to offer and sell, or protections from the offer and sale of, any such other brands or any other brands we or our affiliates may create or acquire and then offer and sell through any means of distribution, including franchising. Nor do we grant you any rights, options, rights of first refusal, or similar rights to acquire additional franchises under your Development Agreement or Franchise Agreement for any other brands we or our affiliates may develop, operate or franchise in the future, and we, our affiliates and any franchisees of these other concepts may solicit and accept orders for their products and services in your Territory and/or Development Area.

ITEM 13 **TRADEMARKS**

We grant to you the right to use certain trademarks, service marks and other commercial symbols, including “CAFÉ MEXICALI” in connection with the operation of your CAFÉ MEXICALI Restaurant under the Franchise Agreement. The Development Agreement does not give you any right to use the Marks.

Our affiliate, IP Company, own the following Marks which have been registered on the Principal Register of the United States Patent and Trademark Office (“USPTO”), as follows:

Mark	Registration No.	Registration Date	International Class
QUESOLLE'	5345786	November 28, 2017	IC 030
	6,369,660	June 1, 2021	IC 043
CAFÉ MEXICALI	6,586,126	December 14, 2021	IC 043

IP Company has also applied for the registration of the following Marks on the Principal Register of with the USPTO:

Mark	Application No.	Application Date	International Class
	98046766	June 16, 2023	IC 043

IP Company has filed and intend to file all affidavits and to renew the registrations for the Marks when they become due.

There are no currently effective material determinations of the USPTO, the Trademark Trial and Appeal Board, or any state trademark administrator or court, nor is there any pending interference, opposition, or cancellation proceeding, nor any pending material litigation involving the Marks which may be relevant to their use in this state or in any other state.

IP Company owns the Marks and licenses them to us under an Intercompany License Agreement dated March 24, 2022 (the “License Agreement”). Under the License Agreement, IP Company granted to us the non-exclusive right to use and license the Marks for the purpose of franchising CAFÉ MEXICALI Restaurants. The term of the License Agreement began on March 24, 2022, continues in perpetuity, and cannot be modified or terminated except by the mutual agreement of the parties, should we breach the

agreement and not cure such breach within 30 days after receipt of notice, or upon our insolvency or dissolution, or the filing of a petition for bankruptcy. Other than the License Agreement, there are no agreements currently in effect which significantly limit our rights to use or license the use of the Marks.

You must promptly notify us of any suspected unauthorized use of the Marks, any challenge to the validity of the Marks, or any challenge to our ownership of the Marks, our right to use and to license others to use the Marks or your right to use the Marks. We have the sole right to direct and control any administrative proceeding or litigation involving the Marks, including any settlement. We have the right, but not the obligation, to take action against uses by others that may constitute infringement of the Marks. We may defend you against any third-party claim, suit or demand arising out of your use of the Marks. If we elect to defend you against such third-party claims and, in our sole discretion, determine that you have used the Marks in accordance with the Franchise Agreement, the cost of the defense, including the cost of any judgment or settlement, will be borne by us. If we determine that you have not used the Marks in accordance with the Franchise Agreement, the cost of the defense, including the cost of any judgment or settlement, will be yours. In the event of any litigation relating to your use of the Marks, you must sign any and all documents and do any acts as may, in our opinion, be necessary to carry out the defense or prosecution, including becoming a nominal party to any legal action. Except if this litigation is the result of your use of the Marks in a manner inconsistent with the terms of the Franchise Agreement, we will reimburse you for your out-of-pocket costs in doing these acts.

Except for the El Mexicali Café and El Mexicali Café II in Indio, California, and the Mexicali Border Café in Tulsa, Oklahoma, there are no infringing uses actually known to us that could materially affect your use of the Marks in this state or elsewhere.

You must conspicuously post a sign at your CAFÉ MEXICALI Restaurant premises and include on all written materials, including advertisements, stationery, business cards, etc. the following: “Independently owned and operated.”

We reserve the right to substitute different Marks for use in identifying the System and the businesses operating under it, at our sole discretion. We will not be required to reimburse you for any of your costs related to conforming to our new Marks, and will otherwise have no obligation or liability to you as a result of any substitution.

ITEM 14

PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION

We do not currently own any rights to any required patents or copyrights that are material to the franchise. We claim copyright protection to our Brand Standards Manual and the information contained in it is proprietary.

The System and the components of the System, the contents of the Brand Standards Manual and of all training materials and computer programs developed by us or in accordance with our standards any other confidential information that we impart to you with respect to a CAFÉ MEXICALI Restaurant’s operation or management, whether through the Brand Standards Manual or otherwise (collectively, “Trade Secrets”) belong exclusively to us and the ideas and information in the Brand Standards Manual are our sole and exclusive property.

You and your Principals must hold the elements of the System, the Trade Secrets and the contents of the Brand Standards Manual in strict confidence, must not disclose any Trade Secret or any operating or management procedure to any person other than your Controlling Principal and your other employees that must receive disclosure to understand their job duties, and must instruct and routinely remind your employees that the System, the Trade Secrets and the contents of the Brand Standards Manual are confidential and may not be disclosed or appropriated. If you are a business entity, you must not disclose any element of the System, any of the Trade Secrets or the contents of the Brand Standards Manual, or make the Brand Standards Manual available, to any shareholder, director, officer, partner, member or

manager of the business entity other than your Controlling Principal, unless such other persons are actively and regularly involved in your Restaurant's management.

You and your Principals must not use any element of the System, any of the Trade Secrets or the operating, management or marketing procedures in the Brand Standards Manual in connection with the operation of any establishment or enterprise other than your CAFÉ MEXICALI Restaurant, and must promptly discontinue use of the System, the Trade Secrets and the operating, management and marketing procedures in the Brand Standards Manual upon the expiration or termination of your Franchise Agreement.

You and your Principals must not, without our prior written consent, copy or permit any person to copy or reproduce any part of the Brand Standards Manual and any other printed, graphic or audio/visual item designated by us as containing Trade Secrets or otherwise permit their use or inspection by any person other than you, your Controlling Principal, Operator, General Manager and your other employees who need to be disclosed to in order to perform their job duties, and our authorized representatives.

All employee training materials (electronic or otherwise) and all software developed by us or by following our standards contain information, embody procedures or facilitate business practices that are proprietary to us and fall within the parameters of our Trade Secrets.

You must notify us of any infringements of or challenges to the copyrighted materials that come to your attention and actively cooperate with us in the investigation of any infringement or challenge. We have the right to control any administrative proceedings or litigation involving the copyrighted materials and will take whatever action we deem appropriate.

We are not contractually obligated to defend the copyrighted materials. Nor are we contractually obligated to protect you against claims of infringement or unfair competition arising from your use of the copyrighted materials. Although we intend to defend the copyrighted materials vigorously, we are not required to participate in any defense or indemnify you for expenses or damages if you are a party to an administrative or judicial proceeding involving the copyrighted materials, or if the proceeding is resolved unfavorably to you.

If we modify or discontinue the use of any copyrighted materials, you must promptly comply with and adopt, at your own expense, all such modifications.

You, your Principals, Operator, General Manager, and certain of your other key employees are bound by non-compete covenants concerning the proprietary information and may be required to enter into confidentiality and non-solicitation agreements.

ITEM 15

OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISE BUSINESS

Under the Franchise Agreement and Development Agreement, unless you are an individual who will operate and manage your CAFÉ MEXICALI Restaurant(s) personally, you must appoint a Controlling Principal you who meets our requirements and is approved by us to supervise and manage all aspects of your business and with whom we and our staff may deal exclusively for purposes of administering and coordinating the franchise relationship.

You must also appoint an Operator who meets our eligibility standards, as described in the Brand Standards Manual, where currently an Operator must have at least five years of restaurant management experience, including profit and loss responsibility for a number of restaurants that is at least the total number of Restaurants to be developed under your Development Schedule, if applicable, and such Operator must devote his or her full time and best efforts to the operation of the Restaurant. Your Controlling Principal

may also serve as the Operator and/or General Manager. Your Operator, if they are not also the Controlling Principal, may also serve as the General Manager for the first Restaurant.

The Controlling Principal, Operator, and (if engaged at the time of training) General Manager will be required to complete our initial training program.

Before rendering services to your CAFÉ MEXICALI Restaurant, your Training Team (consisting of your Controlling Principal, your Operator, your General Manager (if engaged), and other designated and approved persons up to a maximum of four trainees) (and any replacements for those persons) must attend and complete, to our satisfaction, initial training conducted by us.

We require that you obtain signed Confidentiality Agreements and Covenants Not to Compete in the form attached to the Development Agreement (Exhibit B) and Franchise Agreement (Exhibit B) from your Controlling Principal, your Operator, and your General Manager (if applicable), and any other managerial level employees.

We will require that your Principals, defined as those with a direct or indirect ownership interest in you, will sign the Personal Guaranty and Principals' Undertaking attached to the Development Agreement and each Franchise Agreement.

ITEM 16

RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

You must open and operate your CAFÉ MEXICALI Restaurant during the business hours and days of operation provided in the Brand Standards Manual, unless we provide you a written exception.

If there occurs a global, regional or local crisis such as a pandemic or other similar event, you must cooperate fully with us as to how we respond to the crisis, and you must implement any remediation plan we institute, which may include us requiring a temporary closure of your CAFÉ MEXICALI Restaurant as part of the crisis remediation plan (whether or not all or other CAFÉ MEXICALI Restaurants are required to temporarily close).

CAFÉ MEXICALI Restaurants will be open to the general public so there are no limitations on the Customers you may serve.

Unless otherwise agreed, you must offer to your Customers all of the products and services specified on our then current list of Approved Supplies, Products and Services, which we may revise occasionally. You cannot offer any products or services that are not on our then-current list of Approved Supplies, Products, and Services. Without our prior written approval, no other products and services may be used, provided, offered or sold by your CAFÉ MEXICALI Restaurant.

We have the right to change the Approved Supplies, Products and Services without limitation, and you must promptly comply with the new requirements. If the addition of new Approved Supplies, Products and Services to our authorized list would not require new training or the purchase of new furniture, fixtures or equipment, we may instruct you to begin offering the new Approved Supplies, Products and Services as of a date specified in a supplement to the Brand Standards Manual. Similarly, if the deletion of Approved Supplies, Products and Services from our authorized list would not require any new training or the removal of specific furniture, fixtures or equipment, we may direct you to cease offering the Approved Supplies, Products and Services as of a date specified in a supplement to the Brand Standards Manual. You must comply with our instructions as of the date we specify, which need not be more than 30 days after we distribute the Brand Standards Manual supplement.

You are also required to use the entire Restaurant site location only for the operation of the CAFÉ MEXICALI Restaurant.

You are not allowed to place vending machines, video games, pinball machines, juke boxes or other amusement devices of any kind, nor are you allowed to conduct live musical performances, theatrical or

comedic performances, physical or mental contests or games, gambling, or other types of live entertainment on or about the premises of the CAFÉ MEXICALI Restaurant.

If we allow your CAFÉ MEXICALI Restaurant to participate in any new products or services test, you must participate in the test in accordance with our Brand Standards and must discontinue offering any products or services that we decide not to add permanently to the authorized list of Approved Supplies, Products and Services.

If you develop or suggest an innovation or improvement that we decide to incorporate into the System, either temporarily or permanently, the innovation or improvement will become our Confidential Information and property without compensation.

You may not sell any Approved Supplies, Products and Services to any wholesale customer, or sell any Approved Supplies, Products and Services from catalogues or an internet website without our prior written permission.

We have the right to designate one or more online or mobile ordering and/or third-party delivery programs or service providers in our sole and absolute discretion.

You may provide catering to customers in your Territory in accordance with the Brand Standards Manual; however, you may not sell any product or service to any wholesale customer, sell any product or service from catalogues, an internet website or a Special Facility without our prior written permission. Such right to provide catering to customers in your Territory may not be exclusive to you if we have granted overlapping territories to other System franchisees.

For purposes of this Item 16, “Catering” means the on-site preparation and service of Approved Supplies, Products and Services and complementary menu items at carnivals, charity functions, community festivals, business gatherings, private parties and similar events that last no more than ten consecutive days.

Except as described above, there are no other restrictions on the Customers to whom you may offer or sell Approved Supplies, Products and Services.

We periodically will provide you suggested retail prices for the Approved Supplies, Products and Service offered at your CAFÉ MEXICALI Restaurant and, to the extent permitted by applicable law, we may require that you adhere to our suggested prices, including maximum prices.

ITEM 17
RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION

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.

THE FRANCHISE RELATIONSHIP

Provision	Section in Franchise Agreement	Summary
a. Length of the franchise term	Summary Pages and §12(a)	10 years.
b. Renewal or extension of the term	Summary Pages and §12(b)	Up to two 10 year successor terms.
c. Requirements for franchisee to renew or extend	§12(b)	You must not be in default, and must give notice, pay a renewal fee, upgrade your CAFÉ MEXICALI Restaurant, and sign our then-current form of franchise agreement (which may contain materially different terms and conditions from the original agreement), sign a general release and attend training, if we require.

Provision	Section in Franchise Agreement	Summary
d. Termination by franchisee	§16	You may have rights to terminate under applicable law.
e. Termination by franchisor without cause	Not Applicable	
f. Termination by franchisor with cause	§16	We can terminate if you commit any one of several listed violations.
g. “Cause” defined – curable defaults	§§ 2 and 16	You have 2, 5, 10, 15 or 30 days to cure, depending on the default, except for an unauthorized transfer you must cure before the transfer is complete and if you tamper with your CAFÉ MEXICALI Restaurant’s information system, you must restore the system on notice.
h. “Cause” defined – non-curable defaults	§§2 and 16	Such defaults include: breach of non-compete, covenants concerning the Brand Standards Manual, system or anti-corruption or anti-terrorism laws; abandon Restaurant; fail to exercise options regarding death provision; allow three events of default to occur in a 12-month period; insolvency of you or your guarantor; a receiver is appointed for a substantial part of your assets.
i. Franchisee’s obligations on termination/non-renewal	§ 17	Such obligations include discontinuance of use of trademarks, copyrighted materials, the System and trade secrets, return Brand Standards Manual, removal of trade dress, assignment of lease, sale of FF&E.
j. Assignment of contract by franchisor	§15	No restriction on our right to transfer.
k. “Transfer” by franchisee - defined	§§ 2 and 15(b)	Includes transfer of contract or assets or any ownership change.
l. Franchisor approval of transfer by franchisee	§15(b)	Transfer requires our prior written consent.
m. Conditions for franchisor approval of transfer	§§ 15(c) and 15(d)	Conditions include: you are not in default; you have no overdue payment obligations to third parties; new transferee and Principals, if applicable, qualify to own a new Restaurant; asset transfer is complete disposition of franchise; Brand Standards Manual and copyrighted materials are returned; sign general release; transferee satisfactorily completes training and meets all of our other requirements; sign then-current form of franchise agreement; transfer fee is paid; payment terms are provided; profit and loss and cash flow projections are provided; and Principals sign guarantees.

Provision	Section in Franchise Agreement	Summary
n. Franchisor's right of first refusal to acquire franchisee's business	§15(e)	We have option for 45 days to purchase on same terms and conditions offered to third party.
o. Franchisor's option to purchase franchisee's business	§§ 15(e), 15(f) and 17(j)	Applies if you want to transfer, we require new management after a death, your Principals do not comply with the required provisions after a death, on expiration of the Franchise Agreement, and on termination of the Franchise Agreement.
p. Death or disability of franchisee	§ 15(f)	We must approve new management and if not approved, franchise must be sold.
q. Non-competition covenants during the term of the franchise	§ 14(b)	Subject to applicable state law, no involvement during the term in a competing business which is located (i) at your Restaurant Address; or (ii) within the Territory, or (iii) within 20 miles of the perimeter of the Territory, or (iv) within 20 miles of the perimeter of the Territory of any other Restaurant; or (v) within the United States of America; or (vi) within the world. A competing business is defined as any restaurant or food service business whose primary focus is offering and selling Mexican-inspired food and beverage products and restaurant services to third parties through any means of distribution.
r. Non-competition covenants after the franchise is terminated or expires	§ 14(b)	Subject to applicable state law, no involvement during the two year period following the term in a competing business which is located (i) at your Restaurant Address; or (ii) within the Territory, or (iii) within 20 miles of the perimeter of the Territory, or (iv) within, or within 20 miles of, the perimeter of the Development Area or Territory of any other CAFÉ MEXICALI Restaurant (or if a Restaurant has no designated Territory, then within 25-miles of such Restaurant).
s. Modification of the agreement	§ 23(e)	No changes unless mutually agreed to in writing.
t. Integration/ merger clause	§ 25(a)	Only the terms of the Franchise/Development Agreement and other related written agreements signed by the parties are binding (subject to applicable state law). Any representations or promises outside of the disclosure document and franchise/development agreement may not be enforceable.

Provision	Section in Franchise Agreement	Summary
u. Dispute resolution by arbitration or mediation	§ 20(b)	Claims, controversies, or disputes from or relating to the Franchise Agreement must be mediated, except for actions seeking injunctive relief and actions we bring which are related to your nonpayment or based on our Marks or Confidential Information. These provisions are subject to state law.
v. Choice of forum	§ 20(b)	Subject to applicable state law, the state and federal courts located in the county in which Franchisor has its then current principal place of business (currently the U.S. District Court for Colorado or the state courts in Weld County, Colorado). But see state specific amendments to the Franchise Agreement.
w. Choice of law	§ 20(a)	Subject to applicable state law, Colorado law. But see state specific amendments to the Franchise Agreement.

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

Provision	Section in Development Agreement	Summary
a. Length of the franchise term	Summary Pages and § 2	From effective date until the earlier of the required opening date for the last CAFÉ MEXICALI Restaurant you are required to open or the date your last Restaurant actually opens and has been approved by us for operation.
b. Renewal or extension of the term	Summary Pages, §§ 2, 6 and 12(b-d)	You may apply for one 75-day extension and pay the extension fee.
c. Requirements for franchisee to renew or extend	Not Applicable	
d. Termination by franchisee	§12	You may have rights to terminate under applicable law.
e. Termination by franchisor without cause	Not Applicable	
f. Termination by franchisor with cause	§12	We can terminate if you commit any one of several listed violations.
g. “Cause” defined – curable defaults	Not Applicable	

Provision	Section in Development Agreement	Summary
h. “Cause” defined – non-curable defaults	§12	Such defaults include: starting development without approval; failing to timely secure sites or open CAFÉ MEXICALI Restaurants; allowing any CAFÉ MEXICALI Restaurant Franchise Agreement to be terminated for cause or be terminable for cause due to the passage of an applicable cure period; receiving three or more default notices in any calendar year; attempting or effecting an improper transfer; breaching the non-competition covenant; breaching the anti-terrorist and money laundering covenants; or failing to comply with the Business Entity requirements.
i. Franchisee’s obligations on termination/non-renewal	Not Applicable	
j. Assignment of contract by franchisor	§13(a)	No restriction on our right to assign.
k. “Transfer” by franchisee - defined	§§ 2 and 13(b)	Includes transfer of contract or assets or any ownership change.
l. Franchisor approval of transfer by franchisee	§13(b)	Transfer requires our prior written consent.
m. Conditions for franchisor approval of transfer	§§ 13(c) and 13(d)	Conditions include: you are not in default; asset transfer is complete disposition of franchise; Brand Standards Manual and copyrighted materials are returned; transferee meets qualifications to be a developer; certain Principals sign guarantees; compliance with transfer requirements under developer’s franchise agreements.
n. Franchisor’s right of first refusal to acquire franchisee’s business	§§ 13(e)	Applies if you want to transfer, we require new management after a death, your Principals do not comply with the required provisions after a death, and on termination of the Development Agreement.
o. Franchisor’s option to purchase franchisee’s business	None	
p. Death or disability of franchisee	§13(f)	We must approve new management and if not approved, development rights must be sold.

Provision	Section in Development Agreement	Summary
q. Non-competition covenants during the term of the franchise	§10(b) and <u>Exhibit B</u>	Subject to applicable state law, no involvement during the term in a competing business which is located (i) at your Restaurant Address, or (ii) within the Development Area, or (iii) within 20 miles of the perimeter of the Development Area, or (iv) within 20 miles of the perimeter of the Territory of any other Restaurant; or (v) within the United States of America; or (vi) within the world. A competing business is defined as any restaurant or food service business whose primary focus is offering and selling Mexican-inspired food and beverage products and restaurant services to third parties through any means of distribution.
r. Non-competition covenants after the franchise is terminated or expires	§10(c)	Subject to applicable state law, no involvement during the two year period following the term in a competing business which is located (i) at your Restaurant Address, or (ii) within the Development Area, or (iii) within, and within 20 miles of the perimeter of, the Development Area, or (iv) within, and within 20 miles of, the perimeter of the Territory or Development Area of any other Restaurant (or if a Restaurant has no designated Territory, then within 25-miles of such Restaurant).
s. Modification of the agreement	§16(f)	No changes unless mutually agreed to in writing.
t. Integration/ merger clause	§18(b)	Only written terms of Development Agreement and of the exhibits referred to are binding (subject to applicable state law). Any representations or promises outside the Disclosure Document and Development Agreement may not be enforceable.
u. Dispute resolution by arbitration or mediation	§14(b)	Claims, controversies, or disputes from or relating to the Development Agreement must be mediated, except for actions seeking injunctive relief and actions we bring which are related to your nonpayment or based on our Marks or Confidential Information. These provisions are subject to state law.
v. Choice of forum	§14(b)	Subject to applicable state law, the state and federal courts located in the county in which Franchisor has its then current principal place of business (currently the U.S. District Court for Colorado or the state courts in Weld County, Colorado). But see state specific amendments to the Development Agreement.

Provision	Section in Development Agreement	Summary
w. Choice of law	§14(a)	Subject to applicable state law, Colorado law. But see state specific amendments to the Development Agreement.

ITEM 18 PUBLIC FIGURES

We do not use any public figure to promote our franchise.

ITEM 19 FINANCIAL PERFORMANCE REPRESENTATIONS

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

The table below includes the profit and loss statements for the five CAFÉ MEXICALI restaurants owned and operated by our affiliates for the 2024, 2023, and 2022 calendar years. The restaurant in Fort Collins, Colorado has operated since December 2005. The restaurant in Greeley, Colorado has operated since November 2008. The restaurant in Boulder, Colorado has operated since April 2013. The restaurant in Johnstown, Colorado has operated since December 2018. The restaurant in Windsor, Colorado has operated since May 2024.

Fort Collins CAFÉ MEXICALI Restaurant			
	Jan – Dec '24	Jan - Dec '23	Jan - Dec '22
Ordinary Income/Expense			
Income			
Sales-Delivery UE	38,938.29	42,348.85	9,507.96
SCF	0.00	0.00	43,903.25
Sales-Delivery GH	103,607.29	109,111.92	88,571.87
Sales-Delivery DD	453,834.47	450,873.49	297,480.09
Sales-Moocho	0.00	0.00	4,942.22
Sales-Delivery NOSH	70,352.47	86,486.86	110,720.62
Sales-Coupon	38,866.75	29,263.23	17,222.84
Fees	-1,708.00	25.05	-146.89
Sales-Taxable			
Over/Short	1,980.75	4,126.11	541.12
Sales-Taxable - Other	2,718,620.96	2,749,131.62	2,678,061.01
Total Sales-Taxable	2,720,601.71	2,753,257.73	2,678,602.13
Total Income	3,424,492.98	3,471,367.13	3,250,804.09
COGS	926,789.27	856,441.59	914,647.68
Gross Profit	2,497,703.71	2,614,925.54	2,336,156.41
Expense			
Fuel Charge	1,946.25	2,063.86	1,186.80
Equipment Purchase		3,377.07	0.00
CAM RECONCILIATION	8,773.54	5,003.07	0.00
Decorations	871.18	746.62	2,612.09
Delivery-Fees	125,767.85	131,440.83	34,072.38

Fort Collins CAFÉ MEXICALI Restaurant			
	Jan – Dec '24	Jan - Dec '23	Jan - Dec '22
Transportation			
Down Payment		0.00	-1,000.00
Milage	367.91	756.61	2,038.00
Transportation - Other	9,417.11	25,438.08	21,522.82
Total Transportation	9,785.02	26,194.69	22,560.82
Gift certificates	-3,776.20	-2,126.94	-984.53
Landscaping		446.28	0.00
catering supplies	8,334.43	5,807.07	4,434.04
Services	60,375.36	51,894.41	41,405.56
Gloves	11,295.81	10,764.12	15,001.50
Advertising	763.38	9,485.74	9,460.82
Bank Service Charges	81,652.44	80,832.04	77,078.00
CAM Charges	16,541.18	17,553.75	14,064.12
Cleaning Supplies	2,388.96	2,018.77	1,998.39
Coupons/Discounts	42,538.75	33,330.23	22,462.65
Dishwasher Rental Fee	5,558.42	6,008.94	8,523.84
Dues and Subscriptions	1,762.92	2,642.86	3,037.79
Insurance	24,631.27	11,369.31	28,386.32
Interest Expense	1,334.72	1,395.29	1,416.32
Laundry	17,048.39	11,885.56	9,253.87
Licenses and Permits	1,550.67	2,391.00	2,706.50
Office Supplies	4,306.11	6,031.87	14,086.83
Paper Products	113,703.49	140,658.60	135,798.52
Payroll Expenses	991,574.95	1,021,726.13	1,030,750.90
Professional Fees			
Accounting	925.00	3,750.00	5,500.00
Legal Fees	584.00	7,878.59	7,010.81
Professional Fees - Other	0.00	250.00	0.00
Total Professional Fees	1,509.00	11,878.59	12,510.81
Rent	167,949.40	163,862.90	159,090.16
Repairs			
Building Repairs	16,060.15	18,136.72	8,046.94
Equipment-Repairs	17,031.30	10,513.62	11,719.08
Total Repairs	33,091.45	28,650.34	19,766.02
Small Wares	8,813.68	10,288.92	8,938.69
Property Taxes	18,304.32	15,276.08	14,762.88
Telephone	9,436.60	10,138.73	12,548.42
Travel & Entertainment	0.00	353.59	180.52
Uniforms	8,661.82	7,178.18	3,745.80
Utilities			
Electric	20,628.43	18,521.43	18,559.72
Gas	19,949.97	25,384.40	27,394.82
Total Utilities	40,578.40	43,905.83	45,954.54
Menu Development	526.26	0.00	650.00
Total Expense	1,817,599.82	1,874,474.33	1,757,461.37
Net Ordinary Income	680,103.89	740,451.21	578,695.04
Other Income/Expense			
Other Income			
Interest Income	322.93		
Vendor Income Sales Tax	3,516.69	3,574.46	3,311.39
Total Other Income	3,839.62	3,574.46	3,311.39
Net Other Income	3,839.62	3,574.46	3,311.39

Fort Collins CAFÉ MEXICALI Restaurant			
	Jan – Dec '24	Jan - Dec '23	Jan - Dec '22
Net Income	683,943.51	744,025.67	582,006.43

Greeley CAFÉ MEXICALI Restaurant			
	Jan – Dec '24	Jan - Dec '23	Jan - Dec '22
Ordinary Income/Expense			
Income			
Sales-Delivery UE	19,560.18	22,538.55	3,288.18
SCF	0.00	0.00	28,172.65
Sales-Delivery GH	69,668.29	94,156.18	79,366.17
Sales-Taxable			
Over/Short	-1,205.71	439.27	-939.72
Sales-Taxable - Other	1,847,700.54	1,809,549.02	1,760,934.88
Total Sales-Taxable	1,846,494.83	1,809,988.29	1,759,995.16
Sales-Delivery DD	364,871.05	350,980.14	235,707.69
Sales-Moocho	0.00	0.00	119.17
Sales-Delivery NOSH	19,859.24	27,365.41	33,900.92
Sales-Coupon	24,262.86	15,096.91	8,662.85
Total Income	2,344,716.45	2,320,125.48	2,149,212.79
COGS	578,984.18	572,360.39	605,178.13
Gross Profit	1,765,732.27	1,747,765.09	1,544,034.66
Expense			
Bank Error	0.00	0.00	-9.00
Fuel Charge	882.75	872.25	575.75
Equipment Purchase	0.00	0.00	2,466.36
Advertising	2,528.00	750.00	750.00
Bank Service Charges	48,549.91	48,257.83	45,928.08
CAM Charges	15,131.45	15,524.05	14,278.84
Catering supplies	673.50	3,878.47	2,671.38
Cleaning Supplies	1,121.88	1,596.53	1,514.29
Coupons/Discounts	25,851.86	16,641.11	11,175.06
Decorations	633.63	1,401.51	1,750.03
Dishwasher Rental Fee	2,538.39	2,841.42	1,934.75
Dues and Subscriptions	228.99	2,416.59	110.00
Gift certificates	-756.20	-1,058.79	-795.40
Gloves	8,956.21	6,441.02	9,649.24
Insurance	17,018.27	9,868.17	17,088.75
Landscaping	207.76	0.00	0.00
Laundry	6,922.72	4,794.07	3,431.60
Licenses and Permits	395.00	401.00	385.00
Office Supplies	10,744.24	5,598.42	4,323.72
Paper Products	72,195.31	79,805.88	97,681.99
Payroll Expenses	658,977.98	729,363.71	604,279.18
Professional Fees			
Accounting	375.00	4,000.00	3,500.00
Legal Fees	0.00	0.00	9,300.06
Total Professional Fees	375.00	4,000.00	12,800.06
Rent	101,306.90	98,356.18	95,491.44
Repairs			
Building Repairs	14,666.63	5,091.36	3,568.13

Greeley CAFÉ MEXICALI Restaurant			
	Jan – Dec '24	Jan - Dec '23	Jan - Dec '22
Equipment Repairs	4,539.27	6,731.56	19,158.80
Total Repairs	19,205.90	11,822.92	22,726.93
Repairs and Maintenance	16.57		
Services	24,688.89	17,768.79	17,029.61
Small Wares	3,854.80	7,248.96	3,168.83
Storage Unit	3,722.00	3,912.00	3,795.00
Property Taxes	20,126.33	23,085.75	23,151.09
Telephone Expense	5,440.36	5,826.68	6,677.57
Transportation			
Milage	3,295.24	2,667.28	1,162.68
Transportation - Other	5,627.14	478.24	1,376.86
Total Transportation	8,922.38	3,145.52	2,539.54
Travel & Entertainment	441.60	1,286.63	1,989.66
Uniforms	216.00	1,045.28	39.94
Utilities			
Electric	21,676.76	22,378.90	19,312.60
Gas	3,559.69	6,769.90	4,949.92
Total Utilities	25,236.45	29,148.80	24,262.52
Delivery-Fees	91,942.40	97,534.71	18,909.97
Equipment Expense	0.00	0.00	17,944.51
Total Expense	1,178,297.23	1,233,575.46	1,069,716.29
Net Ordinary Income	587,435.04	514,189.63	474,318.37
Other Income/Expense			
Other Income			
Interest Income	655.27	0.76	0.00
Vendor Income Sales Tax	2,112.54	2,071.59	1,798.80
Total Other Income	2,767.81	2,072.35	1,798.80
Net Other Income	2,767.81	2,072.35	1,798.80
Net Income	590,202.85	516,261.98	476,117.17

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Boulder CAFÉ MEXICALI Restaurant			
	Jan – Dec '24	Jan - Dec '23	Jan - Dec '22
Sales-Delivery UE	37,343.11	51,183.64	10,419.08
Sales-Flat Iron MP	4,385.24		
SCF	0.00	0.00	25,325.17
Sales-Delivery GH	29,418.03	35,112.81	37,308.16
Sales-Delivery DD	208,335.14	250,991.80	136,979.05
Sales-Delivery NOSH	0.00	0.00	2,786.85
Sales-Delivery HB	0.00	0.00	0.00
Sales-Coupon	16,435.55	8,441.69	2,576.65
Sales-Taxable			
Over/Short	444.12	529.39	-461.40
Sales-Taxable - Other	1,438,019.02	1,586,703.86	1,548,216.02
Total Sales-Taxable	1,438,463.14	1,587,233.25	1,547,754.62
Total Income	1,734,380.21	1,932,963.19	1,763,149.58
COGS	405,699.07	455,737.72	489,184.18
Gross Profit	1,328,681.14	1,477,225.47	1,273,965.40
Expense			
Equipment Expense	0.00	1,013.25	8,640.06
Advertising	3,727.99	0.00	0.00
Bank Service Charges	49,198.86	51,852.54	49,312.29
CAM Charges	98,605.51	81,981.25	75,473.40
Catering supplies	589.49	1,197.24	388.09
Cleaning Supplies	3,120.86	4,840.09	3,688.68
Coupons/Discounts	16,653.55	9,353.69	3,599.44
Decorations	889.74	746.63	0.00
Delivery-Fees	46,858.82	56,567.54	7,735.92
Dishwasher Rental Fee	4,894.96	4,158.38	4,725.73
Dues and Subscriptions	25.00	1,294.79	396.00
Gift certificates	190.94	-586.12	416.78
Gloves	8,016.95	8,000.35	12,434.90
Insurance	14,054.08	6,975.77	13,768.77
Landscaping	189.92	460.17	0.00
Laundry	11,948.66	7,325.16	4,897.94
Licenses and Permits	385.00	401.00	0.00
Office Supplies	1,761.89	2,161.24	5,149.95
Paper Products	50,680.97	63,975.96	73,357.79
Payroll Expenses	646,715.84	757,211.83	673,061.63
Professional Fees			
Accounting	320.00	4,000.00	3,500.00
Legal	0.00	0.00	0.00
Total Professional Fees	320.00	4,000.00	3,500.00
Rent	166,713.12	106,546.20	166,546.20
Repairs			
Building Repairs	-184.03	421.39	4,243.10
Equipment Repairs	7,210.02	7,274.93	24,132.86
Total Repairs	7,025.99	7,696.32	28,375.96
Services	19,541.97	17,516.60	11,697.07
Small Wares	911.37	5,488.69	2,115.06
Property Taxes	1,965.54	1,156.64	3,886.68
Telephone	3,964.44	3,485.51	3,878.73
Transportation			
Milage	59.00	0.00	49.28

<u>Boulder CAFÉ MEXICALI Restaurant</u>			
	Jan – Dec '24	Jan - Dec '23	Jan - Dec '22
Transportation - Other	1,122.55	1,045.48	1,788.81
Total Transportation	1,181.55	1,045.48	1,838.09
Uniforms	417.34	1,677.35	919.88
Utilities			
late fee	0.00	67.52	0.00
Electric	21,692.95	21,794.53	20,525.82
Gas	12,032.87	15,741.78	15,475.89
Total Utilities	33,725.82	37,603.83	36,001.71
Fuel charge	1,271.03	1,146.65	947.00
Total Expense	1,195,547.20	1,246,294.03	1,196,753.75
Net Ordinary Income	133,133.94	230,931.44	77,211.65
Other Income/Expense			
Other Income			
Interest Income	77.89	0.03	0.00
Vendor Income Sales Tax	2,157.85	2,129.09	2,060.70
Total Other Income	2,235.74	2,129.12	2,060.70
Net Other Income	2,235.74	2,129.12	2,060.70
Net Income	135,369.68	233,060.56	79,272.35

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Johnstown CAFÉ MEXICALI Restaurant			
	Jan – Dec '24	Jan - Dec '23	Jan - Dec '22
Ordinary Income/Expense			
Income			
Sales-Delivery UE	21,026.02	24,486.46	3,911.06
SCF	0.00	0.00	36,706.39
Sales-Delivery GH	65,836.77	77,239.13	44,890.71
Sales-Delivery DD	277,251.66	237,440.05	192,059.72
Sales-Delivery-NOSH	23,169.45	31,016.36	32,731.74
Sales-Coupon	18,866.32	15,276.11	9,776.70
Sales-Taxable			
Over/Short	-826.34	3,098.63	-1,101.58
Sales-Taxable - Other	2,421,085.72	2,532,819.50	2,241,064.38
Total Sales-Taxable	2,420,259.38	2,535,918.13	2,239,962.80
Total Income	2,826,409.60	2,921,376.24	2,560,039.12
COGS	697,904.33	720,215.01	721,964.37
Gross Profit	2,128,505.27	2,201,161.23	1,838,074.75
Expense			
Meals/Entertainment	231.34	22.69	0.00
2022 DR 0106EP	0.00	0.00	12,500.00
Taxes Overpaid	-22.18	2,598.00	60.47
Personal Property Tax	0.00	6,986.56	4,040.70
Legal Fees	0.00	10,312.09	550.43
Delivery-Fee	71,382.34	46,430.18	11,670.47
Equipment Purchase	0.00	0.00	0.00
Professional Fees- ACCOUNTING	0.00	3,800.00	3,325.00
Transportation	2,994.60	6,856.47	927.22
Landscaping	204.33	0.00	482.05
Alcohol	7,276.15	8,719.70	8,929.66
Milage	418.02	534.17	995.87
Coupons/Discounts	19,743.32	16,970.11	10,206.70
Gift Certificate	-932.12	-1,231.16	-1,119.19
Fuel Charge	1,524.00	1,252.75	1,003.70
Gloves	10,655.90	9,507.20	11,337.10
Catering Supplies	2,870.90	2,753.27	2,808.72
Laundry	10,279.01	6,890.17	5,005.28
Equipment Repair	20,685.98	16,403.05	5,889.08
Building Repair	3,282.18	-1,009.97	2,519.20
Paper	90,219.15	105,977.26	117,409.55
Decor	561.17	1,453.11	92.51
Smallwares	8,902.04	7,968.56	4,835.64
CAM	84,123.00	90,060.00	71,845.28
Services	20,140.13	17,065.00	13,348.35
Life Insurance	0.00	0.00	41,485.00
Cleaning Supplies	2,264.31	2,401.49	2,182.85
Dish Machine Lease	7,668.97	7,856.67	7,244.96
Cost of Goods (Jerky)	1,582.83		

Johnstown CAFÉ MEXICALI Restaurant			
	Jan – Dec '24	Jan - Dec '23	Jan - Dec '22
Licenses	0.00	846.00	610.00
Fees, Professional	850.00	250.00	310.00
Telephone Expense	5,283.73	2,677.52	3,213.96
Payroll Expenses	886,578.56	914,631.89	857,872.15
Uniforms	457.11	5,001.78	1,036.69
Utilities			
Electric	19,478.67	18,675.95	18,567.45
Gas	11,412.50	12,029.36	14,322.67
Total Utilities	30,891.17	30,705.31	32,890.12
Office Supplies	5,799.27	6,791.50	3,544.99
Interest Expense	0.00	0.00	-157.69
Insurance Expense	16,786.38	7,618.13	12,955.92
Bank Service Charges	72,424.15	71,589.98	60,770.54
Advertising and Promotion	8,000.37	2,926.59	750.00
Dues and Subscriptions	1,949.49	2,616.59	986.89
Rent Expense			
Overage	5,233.27	22,254.51	0.00
Rent Expense - Other	107,799.96	112,699.99	98,000.04
Total Rent Expense	113,033.23	134,954.50	98,000.04
Total Expense	1,508,108.83	1,551,187.16	1,412,360.21
Net Ordinary Income	620,396.44	649,974.07	425,714.54
Other Income/Expense			
Other Income			
Interest Income	386.83	0.00	2,830.87
Vendor Income Sales Tax	4,625.24	4,822.35	4,031.96
Total Other Income	5,012.07	4,822.35	6,862.83
Net Other Income	5,012.07	4,822.35	6,862.83
Net Income	625,408.51	654,796.42	432,577.37

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Windsor CAFÉ MEXICALI Restaurant	
	May - Dec '24
Ordinary Income/Expense	
Income	
Sales-Delivery UE	8,380.48
Sales-Delivery GH	20,652.14
Sales-Delivery DD	116,094.18
Sales-Delivery NOSH	0.00
Sales-Coupon	8,630.46
Fees	-1,404.10
Sales-Taxable	
Over/Short	3,341.56
Sales-Taxable - Other	1,324,166.48
Total Sales-Taxable	1,327,508.04
Total Income	1,479,861.20
COGS	424,221.56
Gross Profit	1,055,639.64
Expense	
Fuel Charge	577.50
Equipment Purchase	0.00
CAM Charges	7,628.74
Decorations	1,039.62
Delivery-Fees	25,988.39
Transportation	
Milage	386.21
Transportation - Other	179.53
Total Transportation	565.74
Gift certificates	-1,107.92
Landscaping	0.00
catering supplies	1,062.32
Services	11,958.93
Gloves	4,234.87
Advertising	29.15
Bank Service Charges	32,241.19
Cleaning Supplies	2,091.41
Coupons/Discounts	8,964.46
Dishwasher Rental Fee	3,006.59
Dues and Subscriptions	0.00
Insurance	11,553.33
Interest Expense	46,782.39
Laundry	5,280.33
Licenses and Permits	1,063.00
Office Supplies	5,307.55
Paper Products	56,533.86
Miscellaneous	945.44
Payroll Expenses	446,620.39
Total Professional Fees	0.00
Rent	49,752.50
Repairs	
Building Repairs	2,503.82
Equipment-Repairs	1,350.14
Total Repairs	3,853.96
Small Wares	4,115.90
Property Taxes	10,398.29

Windsor CAFÉ MEXICALI Restaurant	
	May - Dec '24
Telephone	3,300.92
Travel & Entertainment	559.40
Loan Fee, Origination	2,500
Uniforms	2,308.00
Utilities	
Electric	8,636.52
Gas	2,902.12
Utilities - Other	2,511.98
Total Utilities	14,050.62
Total Expense	763,206.87
Net Ordinary Income	292,432.77
Other Income/Expense	
Other Income	
Interest Income	493.31
Vendor Income Sales Tax	2,350.30
Total Other Income	2,843.61
Net Other Income	2,843.61
Net Income	295,276.38

Some stores have sold this amount. Your Individual results may differ. There is no assurance that you will sell as much.

Note 1. “Total Income” is the equivalent of the term “Gross Sales” as used in this Disclosure Document, defined as the aggregate of all revenue and income, from whatever source derived, relating to the CAFÉ MEXICALI restaurant, but excluding (i) all refunds, cancellation fees and discounts made in good faith to a customer; (ii) any sales, goods and services and equivalent taxes which are collected by you for or on behalf of any governmental or other public body and actually remitted to such body; (iii) tips paid by customers to restaurant personnel; and (iv) the value of any gift card, coupon, voucher or other allowance authorized by us and issued or granted to customers of the restaurant which is received or credited in full or partial satisfaction of the price of any supplies, products, and services offered in connection with the restaurant.

Note 2. “COGS,” that is, Cost of Goods Sold, is the sum of the cost of food and beverage items for each restaurant.

Note 3. Royalty Fee is calculated as 6% of the Total Income (or Gross Sales) of each restaurant. Ad Fee, Ad Fund, and/or Area Cooperative payments and contributions are calculated as 4% of the Total Income of each restaurant. Local Advertising Expenditure is calculated as 2% of the of the Total Income of each restaurant. Each restaurant would have paid the following as such fees and payments:

Fort Collins CAFÉ MEXICALI Restaurant						
	2024	2023	2022	2021	2020	2019
Total Income	\$3,424,492.98	\$3,471,367.13	\$3,250,804.09	\$2,869,019.07	\$2,597,786.20	\$2,498,589.87
Royalty Fee (6% of Gross Sales)	\$205,469.58	\$208,282.03	\$195,048.25	\$172,141.14	\$155,867.17	\$149,915.39
Local Ad Expenditure, Ad Fee, Ad Fund, and/or Area Coop payments (Currently, 2% of Gross Sales for Local Ad Expenditure and 0% of Gross Sales for remaining advertising-related payments) See Note 1.	\$68,489.86	\$69,427.34	\$65,016.08	\$57,380.38	\$155,867.17	\$149,915.39

<u>Greeley CAFÉ MEXICALI Restaurant</u>						
	2024	2023	2022	2021	2020	2019
Total Income	\$2,344,716.45	\$2,320,125.48	\$2,149,212.79	\$1,872,124.62	\$1,693,077.79	\$1,746,238.70
Royalty Fee (6% of Gross Sales)	\$140,682.99	\$139,207.53	\$128,952.77	\$112,327.48	\$101,584.67	\$104,774.32
Local Ad Expenditure, Ad Fee, Ad Fund, and/or Area Coop payments (Currently, 2% of Gross Sales for Local Ad Expenditure and 0% of Gross Sales for remaining advertising-related payments) See Note 1.	\$46,894.33	\$46,402.51	\$42,984.26	\$37,442.49	\$33,861.56	\$34,924.77
<u>Boulder CAFÉ MEXICALI Restaurant</u>						
	2024	2023	2022	2021	2020	2019
Total Income	\$1,734,380.21	\$1,932,963.19	\$1,763,149.58	\$1,535,459.82	\$1,303,970.16	\$1,518,043.84
Royalty Fee (6% of Gross Sales)	\$104,062.81	\$115,977.79	\$105,788.97	\$92,127.59	\$78,238.21	\$91,082.63
Local Ad Expenditure, Ad Fee, Ad Fund, and/or Area Coop payments (Currently, 2% of Gross Sales for Local Ad Expenditure and 0% of Gross Sales for remaining advertising-related payments) See Note 1.	\$34,687.60	\$38,659.26	\$35,262.99	\$30,709.20	\$26,079.40	\$30,360.88
<u>Johnstown CAFÉ MEXICALI Restaurant</u>						
	2024	2023	2022	2021	2020	2019
Total Income	\$2,826,409.60	\$2,921,376.24	\$2,560,039.12	\$2,091,412.45	\$1,721,191.97	\$1,691,143.76
Royalty Fee (6% of Gross Sales)	\$169,584.58	\$175,282.57	\$153,602.35	\$125,484.75	\$103,271.52	\$101,468.63
Local Ad Expenditure, Ad Fee, Ad Fund, and/or Area Coop payments (Currently, 2% of Gross Sales for Local Ad Expenditure and 0% of Gross Sales for remaining advertising-related payments) See Note 1.	\$56,528.19	\$58,427.52	\$51,200.78	\$41,828.25	\$34,423.84	\$33,822.88
<u>Windsor CAFÉ MEXICALI Restaurant</u>						
	2024	2023	2022	2021	2020	2019
Total Income	\$1,479,861.20	---	---	---	---	---
Royalty Fee (6% of Gross Sales)	\$88,791.67	---	---	---	---	---
Local Ad Expenditure, Ad Fee, Ad Fund, and/or Area Coop payments (Currently, 2% of Gross Sales for Local Ad Expenditure and 0% of Gross Sales for remaining advertising-related payments) See Note 1.	\$29,597.22	---	---	---	---	---

Notes

Note 1. We may require that a maximum of 4% of your Gross Sales be spent, paid, or contributed towards one, or a combination, of the following: (i) your Local Ad Expenditure requirement, (ii) an Advertising Fee, (iii) an Ad Fund, and/or (iv) an Area Cooperative. For example, if we require that you spend 2% of your Gross Sales on Local Ad Expenditure requirements, and pay 2% of your Gross Sales as an Advertising

Fee to us, since, together, this would total 4% of your Gross Sales, no other category of advertising expenditure payments could be required. Currently, we only require that you spend 3% of Gross Sales towards Local Ad Expenditures during your first 20 weeks in operation, after which this amount is reduced to 2% of Gross Sales. We do not currently impose an Advertising Fee, Ad Fund contributions, or Area Cooperative contributions, though we do reserve the right to do so, again, up to a maximum combined amount not to exceed 4% of your Gross Sales when taken together with your required Local Ad Expenditure requirement.

The financial information is taken from unaudited financial information obtained through our point-of-sale system, our booking systems, and online ordering service providers. It has not been independently audited. The notes that follow the chart are an integral part of the information presented in this item, and provide information to help you better understand the financial information.

Written substantiation for the financial performance representation will be made available to the prospective franchise upon reasonable request.

You should conduct an independent investigation of the costs and expenses you will incur in operating your Store.

Other than the preceding financial performance representation, we do not make any financial performance representations. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to the franchisor's management by contacting Richard A. Krammer at 1919 65th Avenue, Unit 5, Greeley, Colorado 80634 or telephone (970) 405-5100, 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	0	0	0
	2023	0	0	0
	2024	0	0	0
Company-Owned	2022	4	4	0
	2023	4	4	0
	2024	4	5	+1
Total Outlets	2022	4	4	0
	2023	4	4	0
	2024	4	5	+1

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
All States	2022	0
	2023	0
	2024	0
Total	2022	0
	2023	0

State	Year	Number of Transfers
	2024	0

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
All States	2022	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	0
	2024	0	0	0	0	0	0	0
Totals	2022	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	0
	2024	0	0	0	0	0	0	0

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

State	Year	Outlets at Start of Year	Outlets Opened	Outlets Reacquired from Franchisee	Outlets Closed	Outlets Sold to Franchisee	Outlets at End of the Year
Colorado	2022	4	0	0	0	0	4
	2023	4	0	0	0	0	4
	2024	4	1	0	0	0	5
Totals	2022	4	0	0	0	0	4
	2023	4	0	0	0	0	4
	2024	4	1	0	0	0	5

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

State	Franchise Agreements Signed But Outlet Not Opened	Projected New Franchised Outlets in Next Fiscal Year	Projected New Company-Owned Outlets in the Next Fiscal Year
Arizona	0	0	0
Colorado	1	2	0
Texas	0	0	0
Utah	0	0	0
Totals	1	2	0

List of Franchisees; List of Former Franchisees

Exhibit E to this disclosure document contains a list of our current franchisees as of December 31, 2024.

Exhibit F to this disclosure document contains a list of franchisees who were terminated, not renewed, or voluntarily or involuntarily ceased to do business under a franchise or other agreement during the last fiscal year ended December 31, 2024, or who failed to communicate with us during the 10 weeks preceding the date of this disclosure document.

If you buy this franchise, your contact information may be disclosed to other buyers when you leave the system.

Confidentiality Clauses

During the last 3 fiscal years, we have not signed agreements with franchisees that contain confidentiality clauses that would restrict a franchisee's ability to speak openly about their experience.

Trademark-Specific Franchisee Organizations

We are not currently aware of any trademark-specific franchisee organizations associated with the franchise system which we have created, sponsored or endorsed, or any independent franchisee organizations that have asked to be included in this disclosure document.

ITEM 21 **FINANCIAL STATEMENTS**

Attached to this Disclosure Document as Exhibit G are the following financial statements:

1. Our unaudited balance sheet as of September 30, 2025 and our profit and loss statement for the period beginning January 1, 2025 through September 30, 2025; and
2. Our audited balance sheets as of December 31, 2024 and 2023, and the related statements of operations, changes in member's equity, and cash flows for the year ended December 31, 2024.

Our fiscal year end is December 31st of each year.

ITEM 22 **CONTRACTS**

The following agreements are attached as exhibits to this disclosure document:

Exhibit B – Franchise Agreement

Exhibit C – Development Agreement

ITEM 23 **RECEIPTS**

Exhibit I to this disclosure document includes detachable documents acknowledging your receipt of this disclosure document.

EXHIBIT A

**LIST OF STATE ADMINISTRATORS AND
AGENTS FOR SERVICE OF PROCESS**

LIST OF STATE ADMINISTRATORS

STATE	STATE ADMINISTRATOR
CALIFORNIA	Department of Financial Protection and Innovation 320 West 4 th Street, Suite 750 Los Angeles, California 90013 (866) 275-2677
HAWAII	Commissioner of Securities of the State of Hawaii Department of Commerce and Consumer Affairs Business Registration Division Securities Compliance Branch 335 Merchant Street Honolulu, Hawaii 96813 (808) 586-2722
ILLINOIS	Franchise Bureau Office of the Attorney General 500 South Second Street Springfield, Illinois 62706 (217) 782-4465
INDIANA	Securities Commissioner Indiana Securities Division 302 West Washington St., Room E-111 Indianapolis, Indiana 46204 (317) 232-6681
MARYLAND	Office of the Attorney General Securities Division 200 St. Paul Place Baltimore, Maryland 21202-2021 (410) 576-6360
MICHIGAN	Department of Attorney General Consumer Protection Division Franchising Unit 525 West Ottawa Street G. Mennen Williams Building, 1 st Floor Lansing, Michigan 48913 (517) 373-1837
MINNESOTA	Minnesota Department of Commerce 85 7th Place East, Suite 280 Saint Paul, Minnesota 55101 (651) 539-1600
NEW YORK	NYS Department of Law Investor Protection Bureau 28 Liberty St., 21 st Floor New York, New York 10005 (212) 416-8222
NORTH DAKOTA	North Dakota Securities Department 600 East Blvd. Ave., Fifth Floor Dept 414 Bismarck, North Dakota 58505-0510 (701) 328-4712

STATE	STATE ADMINISTRATOR
RHODE ISLAND	Securities Division Department of Business Regulation 1511 Pontiac Avenue, Building 69-1 Cranston, Rhode Island 02920 (401) 462-9585
SOUTH DAKOTA	Department of Labor and Regulation Division of Securities 124 S. Euclid Avenue Pierre, South Dakota 57501 (605) 773-3563
VIRGINIA	State Corporation Commission Division of Securities and Retail Franchising 1300 East Main Street, 9 th Floor Richmond, Virginia 23219 (804) 371-9672
WASHINGTON	Department of Financial Institutions Securities Division 150 Israel Road, S.W. Tumwater, Washington 98501 (360) 902-8760
WISCONSIN	Franchise Registration Division of Securities Wisconsin Department of Financial Institutions 201 W. Washington Street, Suite 300 Madison, Wisconsin 53703 (608) 266-3364

LIST OF STATE AGENTS FOR SERVICE OF PROCESS

STATE	AGENT
COLORADO	Richard A. Krammer 1919 65 th Avenue, Unit 5 Greeley, Colorado 80634
SOUTH DAKOTA	Division of Insurance Securities Regulation 124 S. Euclid, Suite 104 Pierre, South Dakota 57501

EXHIBIT B
FRANCHISE AGREEMENT



**CAFÉ MEXICALI RESTAURANT
FRANCHISE AGREEMENT**

FRANCHISE AGREEMENT

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Exhibits:

- A. Personal Guaranty and Principals' Undertaking
- B. Confidentiality Agreement and Covenant Not To Compete
- C. Authorization Agreement for Pre-Authorized Payments
- D. Lease Rider
- E. Map of the Target Area or Restaurant Territory (if deemed necessary by Franchisor)

SUMMARY PAGES

Effective Date: _____

Franchisee: _____

Franchisee Corporate Address: _____

Phone Number: _____ Email Address: _____

Controlling Principal: _____

Operator: _____

General Manager: _____

Term: 10 years from the Effective Date

Renewal Franchises: up to two consecutive successor Franchise Agreements of 10 years

Target Area (if applicable): The geographic area encompassed within _____, and reflected on the map attached as Exhibit E (if provided), as existing on the Effective Date.

Restaurant Address (if/when known): _____

Territory: The geographic area encompassed within _____ and reflected on the map attached as Exhibit E, as existing on the Effective Date.

Required Opening Date (No later than 270 days from Effective Date): _____

Initial Franchise Fee:

- ☐ \$35,000, payable in full upon execution of this Agreement; or
- ☐ \$31,500, including Franchisor's veterans discount, payable in full upon execution of this Agreement; or
- ☐ \$_____, credited from the Development Area Rights Fee paid by Franchisee under a Development Agreement with Franchisor.

Technology Setup Fee: \$1,000

Royalty Fee:

3% of Gross Sales per week for Franchisee's first 20 weeks in operation; and

6% of Gross Sales per Accounting Period through the remainder of the Term.

If a state or local law does not allow Franchisee to pay Royalty Fees on alcohol sales, Franchisor will adjust the Royalty Fee rate and other provisions to provide the same basic economic effect to both Franchisee and Franchisor as otherwise provided in this Agreement, with a corresponding change to the definition of Gross Sales.

Grand Opening Ad Expenditure:

At least \$12,000 in accordance with Section 10(a) of this Agreement.

Local Ad Expenditure:

3% of Gross Sales per week for Franchisee's first 20 weeks in operation;

2% of Gross Sales per Accounting Period through the remainder of the Term; provided that Franchisor may increase the Local Ad Expenditure up to 4% of Gross Sales upon written notice to Franchisee in accordance with 10(f) of this Agreement.

Advertising Fee:

0% of Gross Sales; provided that Franchisor may increase the Advertising Fee up to 4% of Gross Sales upon written notice to Franchisee in accordance with 10(f) of this Agreement.

Ad Fund Contribution:

0% of Gross Sales per Accounting Period; provided that Franchisor may create an Ad Fund and thereafter increase the Ad Fund Contribution up to 4% of Gross Sales upon written notice to Franchisee in accordance with Section 10(f) of this Agreement.

Area Cooperative Contributions:

0% of Gross Sales per Accounting Period; provided that Franchisor may create an Area Cooperative in Franchisee's DMA and thereafter increase the Area Cooperative Contribution up to 4% of Gross Sales upon written notice to Franchisee in accordance with Section 10(f) of this Agreement.

Non-Compliance Fees:

\$1,000 for each deviation from a contractual requirement under this Agreement, including any Brand Standards, identified in writing by Franchisor, provided that Non-Compliance Fee will double to \$2,000 if Franchisor discovers that the same (or a substantially similar) deviation on one or more consecutive, subsequent visits to or inspections of the Restaurant and will double against to \$4,000 for the second and each subsequent repeat deviation. (The Non-Compliance Fee does not apply to payment defaults for which Franchisor may charge interest).

Technology Fee:

An amount Franchisor sets based on its then current costs and payable in installments each Accounting Period; currently \$25 per Accounting Period.

Transfer Fee:

\$1,500 if the transfer is between Franchisee's current owners or a new third-party minority owner is added.

60% of the then-current Initial Franchise Fee for a transfer of single Restaurant from you to a third party.

40% of the then-current Initial Franchise Fee for a transfer of single Restaurant to a franchisee already a franchisee in the System and who has satisfactorily passed the initial training program.

Renewal Fee: \$5,000

Addresses for Notices:

Franchisor: Café Mexicali – Franchising, LLC
1919 65th Avenue, Unit 5
Greeley, Colorado 80634
Email: rick@cafemexicali.com

Franchisee: Mailing address for Franchisee Corporate Office shown above.

Insurance Requirements:

Commercial general liability insurance, including products liability coverage, and broad form contractual liability coverage, written on an "occurrence" policy form in any amount of not less than \$1,000,000 combined single limit per occurrence and \$2,000,000 in the

aggregate. Such insurance will insure the contractual liability of Franchisee under this Franchise Agreement.

[If Applicable] Liquor liability (dram shop) insurance written on an “occurrence” policy form in an amount of not less than \$1,000,000 combined single limit per occurrence and \$2,000,000 in the aggregate.

Business automobile liability insurance written on an “occurrence” policy form in an amount of not less than \$1,000,000 combined single limit per occurrence and in the aggregate, including owned, leased, non-owned and hired automobile coverage (only required if Franchisee or any of its employees use an automobile in connection with any aspect of operating Franchisee’s Restaurant or if one or more of the officers or other employees of Franchisee maintain automobiles which are owned or leased by Franchisee).

Employment Practices liability insurance written on an “claims made” policy form in an amount of not less than \$1,000,000 combined single limit per occurrence and \$1,000,000 in the aggregate.

“All Risk” or “Special Form” property insurance covering: (a) the building(s) used for Franchisee’s Restaurant, equipment and inventory of Franchisee’s Restaurant, including plate glass coverage, on a full 100% repair or replacement value basis, (b) business interruption/business income insurance (at least 1 year of actual loss sustained), including extra expense insurance, so as to re-establish normal business operations, and (c) loss of rents insurance covering a minimum of 1 year fixed minimum rent.

Workers’ compensation insurance in the minimum amount mandated by Franchisee’s state’s law (if applicable), unless Franchisee’s state requires or permits employers to participate in a state-administered insurance pool (in which case Franchisee either must or may adopt and maintain a qualifying plan, as applicable).

Umbrella Liability insurance coverage of not less than \$5,000,000 over the basic Comprehensive General Liability and Liquor Liability insurance coverage and \$5,000,000 for Products/Completed Operations in the aggregate.

Ownership Information and Principals:

The following is a list of all stockholders, partners, member, or other interest holders in Franchisee, including all individuals and entities who own or hold a direct or indirect interest in Franchisee, and a description of the nature of their interest. The following is also a list of Franchisee’s “Principals” described in and designated pursuant to the Franchise Agreement, each of whom will execute the Personal Guaranty and Principals’ Undertaking form set forth in Exhibit A unless otherwise agreed by Franchisor.

Name	Address	Percentage of Ownership/Nature of Interest
1.		
2.		
3.		

SUMMARY PAGES

Territory and Restaurant Address Supplement

Once a Restaurant Address has been determined, whether at the time of the execution of the Franchise Agreement or afterwards, Franchisor and Franchisee will sign the following supplement to the Summary Pages:

Restaurant Address (if/when known): _____

Territory: The geographic area encompassed within _____
_____ and reflected on the map attached as Exhibit E (if deemed necessary or advisable by Franchisor).

Agreed to as of the _____ date of _____, 20____.

FRANCHISOR

CAFÉ MEXICALI – FRANCHISING, LLC
a Colorado limited liability company

FRANCHISEE

a/an _____

By: _____

Name: _____

Title: _____

Date: _____

By: _____

Name: _____

Title: _____

Date: _____

CAFÉ MEXICALI RESTAURANT FRANCHISE AGREEMENT

THIS FRANCHISE AGREEMENT (“Agreement”) is entered into by and between Franchisor and Franchisee and is effective as of the Effective Date. The Summary Pages to this Agreement are an integral part of this Agreement.

1. **Recitals.** Franchisor has, through the expenditure of time, skill, effort and money, developed the System for the establishment and operation of the CAFÉ MEXICALI Restaurants that offer and sell Approved Supplies, Products and Services, including, high quality Mexican-inspired food made primarily from fresh ingredients such as the original Quesolle[®] rolled quesadillas, smothered burritos, breakfast burritos, salads, soups, soft tacos, nachos, desserts and drinks. Franchisee desires to obtain the right, and Franchisor is willing to grant Franchisee the right, to establish and thereafter to continuously operate a CAFÉ MEXICALI Restaurant using the System and Marks at the Restaurant Address in accordance with the terms of this Agreement. The parties have entered into this Agreement to evidence the terms and conditions of their relationship.

2. **Definitions.** The following terms are used in this Agreement with the meanings assigned below:

Accounting Period means each calendar week during the Term; provided that Franchisor may change the Accounting Period during the Term upon 30 days’ prior written notice to Franchisee.

Action means a suit, proceeding, claim, demand, investigation, or inquiry, whether formal or informal.

Ad Fund means a separate and segregated advertising and marketing fund Franchisor administers for the purpose of enhancing the goodwill and public image of the System through advertising, marketing, promotions, and related activities.

Ad Fund Contribution means the periodic Ad Fund Contribution in the amount identified on the Summary Pages payable if/when an Ad Fund is created.

Adverse Change of Law means the adoption, promulgation, modification or reinterpretation after the Effective Date by any governmental authority in the United States (as to Franchisor) or the state or local jurisdiction in which the CAFÉ MEXICALI Restaurant is located (as to Franchisee), of any law, regulation, policy, order, circular or similar directive which action materially and adversely affects Franchisor’s or Franchisee’s ability to enjoy the economic benefits of this Agreement or to enforce its rights hereunder or thereunder, including the ability to manufacture, distribute, advertise, offer or sell any proprietary Approved Supplies, Products and Services. An Adverse Change of Law does not constitute an Event of Force Majeure.

Advertising Fee means the periodic advertising fee payable to Franchisor in the amount identified on the Summary Pages if an Advertising Fee is required.

Affiliate means a Person that controls, is controlled by or is under common control with another Person, either by virtue of equity ownership, by contract or by other means.

Approved Supplies, Products and Services means all approved or permitted leasehold improvements, furniture, fixtures, equipment (including Technology and Information Systems), signage, trade dress, food and beverage supplies, products and menu items and other products and services that are used, offered or sold in CAFÉ MEXICALI Restaurants generally, including Franchisee’s Restaurant. Approved Supplies, Products and Services may include items that are either branded with the Marks or developed, produced, created or manufactured using Franchisor’s or its Affiliates’ proprietary recipes, Trade Secrets or other Confidential Information, and designated as proprietary by Franchisor from time to time in the Brand Standards Manual.

Area Cooperative means a cooperative advertising association consisting of the CAFÉ MEXICALI Restaurants located within a DMA.

Brand Standards means the mandatory and suggested specifications, standards, operating procedures and rules that Franchisor prescribes from time to time for the development and operation of a CAFÉ MEXICALI Restaurant and any other information Franchisor provides to Franchisee during the Term relating to Franchisee's operation of Franchisee's CAFÉ MEXICALI Restaurant or to any other of Franchisee's obligations under this Agreement and related agreements, whether or not provided in writing in the Brands Standards Manual.

Brand Standards Manual means and collectively includes all manuals, policy statements, directives, bulletins and memoranda that contain prescribed or recommended standards, procedures, policies and advice (i.e., the Brand Standards) relating to a CAFÉ MEXICALI Restaurant's operation and management and to marketing the Approved Supplies, Products and Services offered and sold by CAFÉ MEXICALI Restaurants. The Brand Standards Manual discloses certain elements of Franchisor's proprietary System, and its contents are and will remain Franchisor's Trade Secrets and exclusive property.

Business Entity means a corporation, a general or limited partnership, a limited liability company or any other type of business entity.

CAFÉ MEXICALI Network means all Franchisor-owned or affiliated and franchisee-owned Restaurants in the United States.

CAFÉ MEXICALI Website means an internet website that Franchisor may develop and maintain to advertise and promote the CAFÉ MEXICALI Network generally, and the Approved Supplies, Products and Services that members of the CAFÉ MEXICALI Network offer, and to facilitate the sale of Franchises for a CAFÉ MEXICALI Restaurant.

Catering means the on-site preparation and service of Approved Supplies, Products and Services and complementary menu items at carnivals, charity functions, community festivals, business gatherings, private parties and similar events that last no more than ten consecutive days.

Charter Documents means a corporation's articles of incorporation, by-laws and shareholders agreement (if any); a partnership's partnership agreement and, in the case of a limited partnership, its articles of limited partnership; a limited liability company's articles of association and regulations or operating agreement; and comparable governing documents of any other type of business entity.

Competing Business means any restaurant or food service business whose primary focus is offering and selling Mexican-inspired food and beverage products and restaurant services to third parties through any means of distribution.

Confidential Information means Franchisor's proprietary and confidential information relating to the development and operation of a CAFÉ MEXICALI Restaurant, including:

1. Technology and Information Systems prescribed for use in a CAFÉ MEXICALI Restaurant, including the CAFÉ MEXICALI Operating System (if applicable);
2. Identity of suppliers and knowledge of Brand Standards for and suppliers of Approved Supplies, Products and Services;
3. Methods of scheduling, training and management relating to a CAFÉ MEXICALI Restaurant;
4. The Brand Standards, the Brand Standards Manual, any other proprietary materials and knowledge, know-how or experience used or obtained in developing and operating a CAFÉ MEXICALI Restaurant;

5. Sales, marketing and advertising programs and techniques for a CAFÉ MEXICALI Restaurant;
6. Knowledge of operating results and financial performance of a CAFÉ MEXICALI Restaurant, other than Franchisee's Restaurants;
7. Operator, General Manager, and employee recruiting, interviewing, orientation, training and evaluation policies and procedures;
8. Franchisor's culture and all initial and refresher training programs;
9. Site selection criteria, general contractor and architect criteria and Trade Dress for CAFÉ MEXICALI Restaurants, and plans and specification for the development of the Restaurants;
10. Customer Information and other information (including earnings information) regarding Franchisor's personnel and Customers and those of other franchisees and licensees of Franchisor;
11. Franchisee recruiting methods and procedures, and selection criteria;
12. Business performance measurement systems;
13. Business planning process and procedures used by Franchisor and Franchisee related to the development of one or more CAFÉ MEXICALI Restaurants; and
14. All other information that Franchisor provides Franchisee and designates proprietary or confidential, including information provided to Franchisee through the Intranet.

Confidentiality Agreement and Covenant Not To Compete means the confidentiality agreement and covenant not to compete form attached to this Agreement as Exhibit B.

Continuing Fees means all Royalty Fees, Local Ad Expenditures (when paid to Franchisor), Advertising Fees, Ad Fund Contributions, Area Cooperative Contributions, Technology Fees and any other periodic fees and payments due under this Agreement.

Control or **Controlling Interest** means the possession, directly or indirectly, of the power to direct or cause the direction, of the management and policies of an entity, whether through ownership of voting securities, by contract or otherwise.

Controlling Principal means one of the Principals who meets Franchisor's requirements and is approved by Franchisor, and who is appointed by Franchisee to supervise and manage all aspects of Franchisee's business and to deal exclusively with Franchisor and its staff for purposes of administering and coordinating the relationship created by this Agreement. Franchisee's first Controlling Principal is identified on the Summary Pages.

Copyrighted Materials refers to and includes all versions, variations and adaptations of the following materials in tangible form, either produced by Franchisor, produced on its behalf as works for hire, or derived from works produced by or on behalf of Franchisor: (i) all manuals used in a CAFÉ MEXICALI Restaurant's development, operation and marketing activities, including but not limited to the Brand Standards Manual, (ii) all training and other training materials (including printed, audio, video or electronic materials), (iii) Restaurant plans and specifications, (iv) designs and graphics, (v) product and service identification posters, photographs and graphics, (vi) advertising and marketing materials, (vii) labels, forms and reports provided by Franchisor, (viii) any proprietary computer software developed for use in the operation of a CAFÉ MEXICALI Restaurant, including but not limited to the CAFÉ MEXICALI Operating System (if applicable), (ix) all Trade Dress and Trade Dress elements for Approved

Supplies, Products and Services for the CAFÉ MEXICALI Restaurant, and (x) any other materials protected by copyright law or marked or identified by Franchisor as protected by copyright.

Crisis Management Event means any event that occurs at or otherwise involves the Restaurant premises, or that occurs generally at a local, regional, national or even global scale, which has or may cause harm or injury to customers or employees, such as contagious diseases, natural disasters, terrorist acts, shootings or other acts of violence, food borne illnesses or any other similar circumstance which may materially and adversely affect the System or the goodwill symbolized by the Marks.

Customer is a paying or non-paying customer of the Restaurant, or someone who purchases or considers purchasing, products or services at Franchisee's Restaurant or any other CAFÉ MEXICALI Restaurant.

Customer Information means any information that: (i) can be used (alone or when used in combination with other information within Franchisee's control) to identify, locate or contact an individual; or (ii) pertains in any way to an identified or identifiable individual. Customer Information can be in any media or format, including computerized or electronic records as well as paper-based files.

Dispute means any claim, controversy or dispute that arises under, or in relation to, this Agreement or concerns the relationship created by this Agreement.

DMA means Designated Market Area, an advertising term that Neilson Rating Service or its successor uses to demarcate the primary coverage of broadcast and print media in given markets. The boundaries of a particular DMA will be determined by reference to television coverage.

Dollars or \$ means currency of the United States of America.

Development Agreement means a separate agreement between Franchisor and Franchisee or one of its Affiliates pursuant to which Franchisee obtained initial rights to develop the Restaurant that is the subject of this Agreement.

Effective Date means the date Franchisor signs this Agreement, as indicated in the Summary Pages and in its signature block.

Event of Default means any breach of this Agreement, including without limitation, those breaches expressly described in this Agreement.

Event of Force Majeure means acts of God, strikes, war, riot, epidemic, pandemic, fire or other natural catastrophe, terrorist acts or government actions resulting from terrorist acts, or other similar extraordinary or unnatural forces beyond Franchisee's or Franchisor's control which, as applicable, materially and adversely affect the condition, use or operation of Franchisee's Restaurant or which effect Franchisor's ability to perform its obligations under this Agreement.

Franchise means the right to operate a CAFÉ MEXICALI Restaurant at a defined Restaurant Address, as more fully described in this Agreement.

Franchisee means the Franchisee identified on the Summary Pages of this Agreement.

Franchisor means Café Mexicali - Franchising, LLC, a limited liability company organized under the laws of the State of Colorado, or its successors and assigns to this Agreement.

General Manager means an individual appointed by Franchisee who meets Franchisor's requirements and is approved by Franchisor to supervise and manage all aspects of the Restaurant's day-to-day operations if the Controlling Principal will not supervise and manage all aspects of the Restaurant's day-to-day operations. Franchisee's first General Manager (if any) is identified on the Summary Pages.

Grand Opening Ad Expenditure means the expenses to be incurred by Franchisee in connection with advertising and otherwise promoting the opening of Franchisee's Restaurant.

Gross Sales means the aggregate of all revenue and income from whatever source derived, whether or not collected by Franchisee and whether it is in the form of check, cash, credit or otherwise, arising out of, in connection with or relating to Franchisee's Restaurant including, without limitation, (a) income from the sale of any Approved Supplies, Products and Services sold to Customers; (b) income from any other types of products sold or services provided; and (c) all proceeds from any business interruption insurance, but excluding (i) all refunds, cancellation fees and discounts made in good faith to a Customer; (ii) any sales, goods and services and equivalent taxes which are collected by Franchisee for or on behalf of any governmental or other public body and actually remitted to such body; (iii) tips paid by Customers to Restaurant personnel; and (iv) the value of any gift card, coupon, voucher or other allowance authorized by Franchisor and issued or granted to Customers of Franchisee's Restaurant which is received or credited by Franchisor in full or partial satisfaction of the price of any Approved Supplies, Products and Services offered in connection with Franchisee's Restaurant.

Indemnified Parties means Franchisor, its Affiliates, and their respective past and present officers, directors, shareholders, partners, members, managers, agents, representatives, independent contractors, attorneys, accountants, employees, successors and assigns.

Initial Franchise Fee means the initial franchise fee identified on the Summary Pages of this Agreement payable in connection with the purchase of the Franchise.

Intranet means a web-based communications network that permits members of the CAFÉ MEXICALI Network to communicate electronically with each other and through which Franchisor may, at its option, make accessible various materials to Franchisee, including the Brand Standards Manual, training materials and official notices.

Liquor License means any Beer or Wine License, Malt Beverage Permit, Mixed Beverage License, Retail On-Premises Consumption License, Liquor License, Mini- Bottle Permit, Sunday Sales Permit, Local Option Permit, Consumption by Drink Permit, Entertainment Permit, Outdoor Permit, or any other alcoholic beverage license or permit related to the Restaurant.

Local Ad Expenditure means the local advertising expenditure in the amount set forth on the Summary Pages.

Losses and Expenses means all compensatory, exemplary, incidental, consequential, or punitive damages (including lost profits); all fines, charges, costs, or expenses imposed by courts or other governmental authorities or by arbitrators; reasonable attorneys' fees and all court or arbitration costs, settlement amounts, or judgments relating to litigation or arbitration; compensation for damages to Franchisor's reputation and goodwill; costs of or resulting from Franchisee's delays, costs of any necessary corrective advertising material and media time/space, and costs of changing, substituting, or replacing advertising; and all expenses of recall, refunds, compensation to third parties, public notices, and other similar amounts incurred in connection with the matters for which Losses and Expenses are to be paid.

Marks refers to and includes (i) the "CAFÉ MEXICALI" service mark and logo, (ii) the "CAFÉ MEXICALI" trade name, (iii) the elements and components of a CAFÉ MEXICALI Restaurant's Trade Dress, and (iv) any and all additional, different or replacement trade names, trademarks, service marks, logos and slogans that Franchisor adopts from time to time to identify the System and the Approved Supplies, Products and Services offered by CAFÉ MEXICALI Restaurants.

Non-Compliance Fees means the amount to be paid to Franchisor in connection with non-monetary contractual deviations or defaults under this Agreement.

Operator means an individual who meets Franchisor's requirements as set in the Brand Standards Manual, and who devotes his or her full-time best efforts in the operation of Franchisee's Restaurant. Franchisee's Operator oversees the operation of all of Franchisee's, and Franchisee's Affiliates', Restaurants in the event Franchisee and/or its Affiliates own more than one CAFÉ MEXICALI Restaurant.

Operating System any proprietary operations and management hardware or software systems that may be developed and/or used by Franchisor to assist in the operation of CAFÉ MEXICALI Restaurants.

Ownership Interest means any direct or indirect, legal or beneficial ownership interest of any type, including but not limited to (a) in relation to a corporation, the ownership of shares in the corporation; (b) in relation to a partnership, the ownership of a general partner or limited partnership interest; (c) in relation to a limited liability company, the ownership of a membership interest; or (d) in relation to a trust, the ownership of the beneficial interest of such trust.

Permanent Disability means any physical, emotional or mental injury, illness or incapacity that would prevent an individual from performing the obligations set forth in this Agreement or in the Personal Guaranty and Principals' Undertaking for at least 90 consecutive days, and from which condition recovery within 90 days from the date of determination of disability is unlikely. If the parties disagree as to whether an individual is permanently disabled, the existence of permanent disability will be determined by a licensed practicing physician selected by Franchisor, upon examination of the individual; or if the individual refuses to submit to an examination, then the individual automatically will be considered permanently disabled as of the date of refusal. The costs of any such examination will be paid by Franchisor.

Person means an individual or a Business Entity.

Personal Guaranty and Principals' Undertaking means the Personal Guaranty and Principals' Undertaking attached to this Agreement at Exhibit A.

Principal means collectively or individually, all Persons holding a direct or indirect Ownership Interest in Franchisee or in any Affiliate of Franchisee, in the Franchise, this Agreement or any interest in or right under this Agreement, all or substantially all of the assets of Franchisee's Restaurant or an interest therein or in the revenues or income thereof, as designated by Franchisor. The initial Principals are listed on the Summary Pages to this Agreement.

Privacy Laws means any international, national, federal, provincial, state, or local law, code, rule or regulation that regulates the processing of Client Information in any way, including data protection laws such as EU General Data Protection Regulation 2016/679 ("GDPR"), the California Consumer Protection Act of 2018 and other similar laws, rules or regulations, laws regulating marketing communications and/or electronic communications such as the CAN-SPAM Act and "Do Not Call" laws rules and regulations, information security regulations, the most current Payment Card Industry Data Security Standard, ISO 27001, ISO 27002, and security breach notification rules.

Prospectus means a statutory prospectus (preliminary or final), a private placement memorandum or any similar document that a company may use to convey information about a Securities Offering.

QSC Reviews means physical, on-site visits to a CAFÉ MEXICALI Restaurant or its events during which Franchisor's representatives conduct either (i) formal inspections to determine the degree to which a CAFÉ MEXICALI Restaurant's operation satisfies Franchisor's quality, service and cleanliness standards, or (ii) informal reviews to evaluate the staff's compliance with the Brand Standards.

Renewal Fee means the renewal fee identified on the Summary Pages.

Required Opening Date means the Required Opening Date identified on the Summary Pages.

Restaurant (also, CAFÉ MEXICALI Restaurant) means a restaurant or food service business that operates from a fixed, physical bricks and mortar location on a year-round basis under the Marks and System and offers and sells Approved Supplies, Products and Services in accordance with the Brand Standards.

Restaurant Address means the physical address of Franchisee's Restaurant, as described on the Summary Pages.

Royalty Fee means the continuing royalty fee identified on the Summary Pages payable with respect to Franchisee's continued use of the Marks and System in connection with the operation of the Restaurant.

Securities Offering means a public offering or private placement of any equity or debt securities or of any securities convertible into or exchangeable for equity securities by Franchisee or, if any of the proceeds of the offering are to be invested in or loaned to Franchisee, or if the Prospectus an Affiliate uses in connection with the offering mentions Franchisor or describes the relationship between Franchisor and Franchisee, by any Affiliate of Franchisee.

Social Media means any and all existing or future forms of electronic communication, whether for business or personal use (including via internet forums, weblogs, social blogs, wikis, podcasts, pictures and videos) through which users create or use online networks or communities (including but not limited through online communities such as Facebook, Twitter, Instagram, SnapChat, LinkedIn, YouTube, Yelp or Wikipedia and other similar content sharing outlets) to share information, ideas, personal messages, and other online content.

Special Facilities mean both (a) an express unit, a mini-CAFÉ MEXICALI Restaurant, or similar fixed installation that contains all necessary items to offer and sell a full or limited range of Approved Supplies, Products and Services, and is located in an airport, sports arena, train or bus station, theme park, military base, higher education campus, office building, convention centers or other special use facility (excluding enclosed shopping malls); and (b) a kiosk, booth, mobile dispensing unit (such as a cart or customized RV) or other mobile installation at or from which select Approved Supplies, Products and Services may be sold to Customers, any of which may operate on a permanent, temporary or seasonal basis.

Summary Pages means the pages that appear at the beginning of this Agreement that summarize certain key information concerning the parties' relationship and the terms of this Agreement.

System means development guidelines, opening guidelines, operational guidelines, initial and ongoing training programs, business methods, designs, arrangements and Brand Standards for developing and operating CAFÉ MEXICALI Restaurants, including those pertaining to site selection, conversion, construction, exterior and interior building design, layouts, leasehold improvements, furniture, fixtures, equipment, signage, trade dress, food and beverage supplies and products and other products and services that are used, offered or sold in CAFÉ MEXICALI Restaurants generally, methods of inventory control and requirements and policies regarding personnel, accounting and financial performance, advertising and marketing programs and information and technology systems, all of which Franchisor may improve, further develop or otherwise modify from time to time.

Technology and Information Systems means electronic and digital systems prescribed for use to collect, compute, store and report a CAFÉ MEXICALI Restaurant's Gross Sales, other financial data and operating information, such as cash registers or other point of sale systems, computers, peripheral equipment and related software programs, including the Operating System (if applicable), applications, or any other similar hardware and software designated for use in the Brand Standards.

Technology Fee means the fee identified on the Summary Pages (if applicable) and payable with respect to the continuing research, development and/or implementation of technology-based innovations for the System, including innovations in Technology and Information Systems, the Operating System and other systems related to the development and operation of CAFÉ MEXICALI Restaurants.

Technology Setup Fee means the technology setup fee identified on the Summary Pages of this Agreement payable in connection with the Franchisor's assistance and costs in setting up Franchisee's electronic mail systems, microsite, and computer system infrastructure.

Term means the term identified on the Summary Pages.

Trade Dress means decorative, non-functional components of a CAFÉ MEXICALI Restaurant premises that provide the establishment a distinctive, memorable appearance.

Trade Secrets means the components of the System, the contents of the Brand Standards Manual and of all employee training materials and computer programs developed by Franchisor or in accordance with the Brand Standards, Confidential Information and any other confidential information that Franchisor imparts to Franchisee with respect to a CAFÉ MEXICALI Restaurant's operation or management, whether through the Brand Standards Manual or otherwise.

Training Team means Franchisee's Controlling Principal/Operator, General Manager and other designated and approved persons (and any replacements or successors thereto) up to a maximum of four attendees who must attend and timely and successfully complete Franchisor's initial training program.

Transfer means the voluntary, involuntary, direct or indirect sale, assignment, transfer, license, sublicense, sublease, collateral assignment, grant of a security, collateral or conditional interest, inter-vivos transfer, testamentary disposition or other disposition of (1) the Franchise, this Agreement or any interest in or right under this Agreement, or of all or substantially all of the assets of Franchisee's Restaurant or in an interest therein, including (a) any transfer in, or as a result of, a divorce, insolvency, dissolution proceeding or otherwise by operation of law; (b) any transfer upon Franchisee's death or the death of any of the Principals by will, declaration of or transfer in trust or under the laws of intestate succession; or (b) any foreclosure upon Franchisee's Restaurant or the transfer, surrender or loss by Franchisee of possession, control or management of Franchisee's Restaurant or (2) of any direct or indirect Ownership Interest in Franchisee or revenues or income of Franchisee's Restaurant, including (a) any transfer, redemption or issuance of a legal or beneficial Ownership Interest in Franchisee or any Business Entity that has an Ownership Interest in Franchisee or of any interest convertible to or exchangeable for a legal or beneficial Ownership Interest in Franchisee or any Business Entity that has an Ownership Interest in Franchisee; (b) any merger or consolidation between Franchisee or any Business Entity that has an Ownership Interest in Franchisee and another Business Entity, whether or not Franchisee is the surviving Business Entity; (c) any transfer in, or as a result of, a divorce, insolvency, dissolution proceeding or otherwise by operation of law; (d) any transfer upon Franchisee's death or the death of any of the Principals by will, declaration of or transfer in trust or under the laws of intestate succession; or (3) any foreclosure upon Franchisee's Restaurant or the transfer, surrender or loss by Franchisee of possession, control or management of Franchisee's Restaurant. No Person (including any employee or independent contractor) may hold any Ownership Interest in Franchisee's Restaurant other than an undivided interest in the Franchise as a whole, and then only in compliance with the transfer restrictions in this Agreement.

Transfer Fee means the transfer fee identified on the Summary Pages.

3. Grant of Franchise.

(a) Franchisor grants to Franchisee a Franchise, and Franchisee accepts the Franchise and obligation to develop and operate, a single fixed, physical bricks and mortar retail CAFÉ MEXICALI Restaurant at the physical premises located at the Restaurant Address set forth in the Summary Pages to this Agreement, and to offer and sell Approved Supplies, Products and Services or other authorized products or services from the Restaurant, using the System and Marks in accordance with the Brand Standards. Franchisee may provide Catering to Customers in the Territory only in accordance with the Brand Standards; however, Franchisee may not sell any Approved Supplies, Products and Services to any wholesale customer, sell any Approved Supplies, Products and Services from catalogues, an internet website, digital ordering, or a Special Facility without our prior written permission. Such right to provide Catering to Customers in the Territory may not be exclusive if Franchisor has granted overlapping territories to other System franchisees.

(b) Franchisee's use of any of the Marks or any element of the System in the operation of a business at any other address or in any other channel of distribution without Franchisor's express prior

written authorization will constitute willful infringement of Franchisor's rights in the Marks and the System. Franchisee is specifically prohibited from sublicensing, assigning, or delegating to others any of Franchisee's rights or obligations under this Agreement.

(c) Franchisee's right to operate the Restaurant and to use the Marks or any element of the System for the operation of the Restaurant is contingent upon Franchisee's full compliance with all federal, state and local laws, rules and regulations (including but not limited to any "dram shop" law or similar act), and Franchisee's timely procurement and maintenance of any and all permits, certificates or licenses necessary for the full and proper conduct of the Restaurant including, without limitation, licenses to do business, trade name registrations, Liquor License and sales tax permits.

(d) So long as Franchisee, its Affiliates and the Principals are in full compliance with this Agreement and all other agreements between Franchisee, its Affiliates and the Principals and Franchisor or its Affiliates, then Franchisor will not operate or authorize anyone except Franchisee to commence operation of a full size CAFÉ MEXICALI Restaurant from a fixed, physical bricks and mortar retail premises located within the Territory.

(e) Franchisor and its Affiliates (and their respective successors and assigns, by purchase, merger, consolidation or otherwise) reserve all rights that this Agreement does not expressly grant to or confer upon Franchisee, including, without limitation and notwithstanding Section 3(d) above:

(i) The right to establish and operate and license others to establish and operate Special Facilities inside or outside the Territory, regardless of proximity to or competitive impact upon the Restaurant.

(ii) The right to establish, operate and license others to establish and operate CAFÉ MEXICALI Restaurants at fixed, physical bricks and mortar retail premises located anywhere other than within the Territory, regardless of proximity to or competitive impact upon Franchisee's Restaurant and regardless of whether these establishments market their products and services in, or draw Customers from, areas in or around the Territory.

(iii) The right to distribute private label or pre-packaged Approved Supplies, Products and Services, apparel, memorabilia, and other related products and merchandise, whether or not identified by or associated with the Marks, to or through any fixed, physical bricks and mortar retail premises that are not affiliated with Franchisor or associated with the CAFÉ MEXICALI Network, including (for example) department stores, supermarkets and convenience stores, anywhere other than at the Restaurant Address, regardless of proximity to or competitive impact upon Franchisee's Restaurant.

(iv) The right to distribute private label or pre-packaged Approved Supplies, Products and Services, apparel, memorabilia, and other related products and merchandise whether or not identified by or associated with the Marks, to all Persons anywhere other than at the Restaurant Address through catalogues, telemarketing campaigns, an internet website and other direct-order techniques.

(v) The right to broadcast television and radio commercials for direct-order merchandise, initiate internet or telephone contact with and accept internet or telephone orders, and fill orders for direct-order merchandise anywhere other than at Franchisee's Restaurant Address, regardless of proximity to or competitive impact upon Franchisee's Restaurant.

(vi) The right to operate, and grant to others the right to operate, restaurant or food service businesses or other types of retail restaurant or food service-related businesses identified by tradenames, trademarks, service marks or trade dress, other than the Marks, pursuant to such terms and conditions as Franchisor deems appropriate, anywhere other than at Franchisee's Restaurant Address, and regardless of proximity to or competitive impact upon Franchisee's Restaurant.

(vii) The right to advertise and promote sales of any products and/or services (including those offered by CAFÉ MEXICALI Restaurants) anywhere, and advertise and promote franchises for

CAFÉ MEXICALI Restaurants anywhere, regardless of proximity to or competitive impact upon Franchisee's Restaurant.

(viii) The right to acquire or be acquired by (regardless of the form of the transaction) a business which operates or licenses others to operate restaurant or food service businesses or other types of retail restaurant or food service-related businesses, and Franchisor, Franchisor's affiliates or any successors or assigns will have the right to operate and/or license others to operate such restaurant or food service businesses or other types of retail restaurant or food service-related businesses under the trademarks or service marks of such other restaurant or food service or other retail restaurant or food service-related businesses at, from and/or physically contiguous to such businesses premises or anywhere else, regardless of proximity to or competitive impact upon Franchisee's Restaurant.

(f) Franchisee acknowledges and agrees that Franchisor has no express obligation or implied duty to insulate or protect Franchisee's revenues from erosion as the result of the Restaurant's competing with other restaurant or food service businesses in the ways and to the extent this Section provides or contemplates. Franchisee expressly waives and relinquishes any right to assert any claim against Franchisor based on the existence, actual or arguable, of any such obligation or duty.

(g) If Franchisee is a Business Entity, Franchisee acknowledges and agrees that no individual, including the Principals and employees of the Restaurant, has, and no provision of this Agreement confers, any personal right to use the Marks at or from any location for any purpose, including on Social Media. Franchisee agrees to immediately notify Franchisor if Franchisee becomes aware of such use of the Marks. Franchisee will take all reasonable actions required by Franchisor to eliminate such use of the Marks and will reimburse Franchisor for any expense incurred by Franchisor as a result of such use of the Marks.

4. Business Entity Requirements. If Franchisee is a Business Entity, the following requirements apply:

(a) Franchisee must be properly organized and in good standing under applicable law, and its Charter Documents must provide that Franchisee's purposes and activities are restricted exclusively to developing and operating CAFÉ MEXICALI Restaurants.

(b) True, complete and duly authenticated copies of Franchisee's Charter Documents and of a resolution of Franchisee's board of directors, general partner or other managing body authorizing Franchisee to enter into and perform this Agreement must be furnished to Franchisor prior to the execution of this Agreement.

(c) Franchisee's Charter Documents will impose Transfer restrictions that give effect to the rights and obligations related to Transfers in this Agreement, and each certificate representing an Ownership Interest in Franchisee will contain or have conspicuously noted upon its face a statement in a form satisfactory to Franchisor to the effect that any assignment or Transfer of the certificate is subject to all restrictions this Agreement imposes on Transfers.

(d) Franchisee will maintain a list of all record and beneficial owners of Ownership Interests in Franchisee and will furnish a current version of the list to Franchisor between December 15th and 31st of each year and upon request.

5. Primary Fees.

(a) In consideration of Franchisor's granting the Franchise and for Franchisor's lost or deferred opportunities in the Territory, Franchisee will pay Franchisor the Initial Franchise Fee in accordance with the requirements of this Agreement. The Initial Franchise Fee will be due upon Franchisee's signing of this Agreement, is fully-earned on receipt, and is not refundable under any circumstances.

(b) In consideration for Franchisor's assistance with and to offset its cost related to setting up Franchisee's electronic mail system, microsite, and computer system infrastructure, Franchisee will pay to Franchisor the Technology Setup Fee in accordance with the requirements in this Agreement. The

Technology Setup Fee will be due on Franchisee's signing of this Agreement, is fully-earned on receipt, and is not refundable under any circumstances.

(c) In consideration for Franchisee's continuing use of the Marks and the System, Franchisee agrees to pay Franchisor the Royalty Fee as set forth in the Summary Pages during the Term based on Franchisee's operation of the Restaurant.

(d) Franchisee agrees to expend an amount equal to the Local Ad Expenditure each calendar month during the Term.

(e) Franchisee agrees to pay to Franchisor or its designee the Advertising Fee as set forth in the Summary Pages during the Term.

(f) Franchisee agrees to pay to Franchisor or its designee the Technology Fee as set forth in the Summary Pages during the Term.

(g) By noon on first day of each Accounting Period, Franchisor will calculate and report to Franchisee the amount of Gross Sales and corresponding Continuing Fees due for the immediately preceding Accounting Period in accordance with this Agreement. Franchisor will draft Franchisee's account based on the amount in Franchisor's report. If Franchisor's ability to determine Gross Sales for any Accounting Period is obstructed (whether or not due to Franchisee's acts, errors or omissions), Franchisor will calculate Continuing Fees based on Gross Sales on the basis of 110% of Gross Sales for the last Accounting Period in which Franchisor had access to Gross Sales information and will draft Franchisee's account accordingly; provided that adjustments in the Continuing Fees actually due will be calculated and settled within 10 days after Franchisee furnishes the required Gross Sales information.

(h) All Continuing Fees due under this Agreement will be payable each Accounting Period by automatic debit of Franchisee's account on the 1st day following each Accounting Period with respect to Franchisee's Gross Sales for the immediately preceding Accounting Period. Franchisee will authorize Franchisor and its bank to debit Franchisee's account directly for the payment of all Continuing Fees and other amounts due hereunder by signing and delivering an Authorization Agreement for Pre-authorized Payments in the form attached as Exhibit C to this Agreement or such other form provided by Franchisor. Franchisee will at all times maintain a balance of not less than \$15,000 in the account designated in the Authorization Agreement for Pre-authorized Payments on file with Franchisor. Royalty Fees, Advertising Fees and Technology Fees will be payable without notice or demand. All other payments will be due upon demand. By notice in writing to Franchisee, Franchisor may from time to time change the payment interval, the payment date and/or the manner of payment of such Continuing Fees, and may require any payments be made by wire or check in lieu of automatic debit at Franchisor's sole discretion.

(i) Franchisee will not be entitled to withhold Continuing Fees or other payments (including reimbursable expenses, as applicable) due hereunder on account of Franchisor's breach or alleged breach of its obligations under this Agreement or any other agreement between the parties or their respective Affiliates. Franchisee acknowledges and agrees that Franchisor's performance under this Agreement constitutes no part of the consideration for Franchisee's obligation to pay Continuing Fees and other amounts due in accordance with this Agreement.

(j) If Franchisee fails to pay any Continuing Fees or other payments (as applicable) or any trade account by the date on which such payment is due, the amount payable will bear interest from the date it became due through the date of payment at the lesser of (i) 1.5% per calendar month, or (ii) the highest lawful rate of interest permitted by applicable state and federal law, and/or Franchisee will pay to Franchisor, at Franchisor's election, a late fee of U.S. \$150 per calendar month the respective payment remains unpaid. Such late fee will be paid to Franchisor in addition to, and not in lieu of, any other rights Franchisor may have at law or in equity as a result of late payment by Franchisee. Nothing in this Agreement will obligate Franchisee or any guarantor of Franchisee's obligations to pay, or entitle Franchisor or its designee to collect, interest in excess of the maximum rate applicable law permits. If, for any reason,

Franchisor or its designee charges or receives interest in excess of the maximum rate permitted by applicable law, the excess will be applied as a payment against the principal amount of Franchisee's other obligations under this Agreement. If no other obligations are due, Franchisor or its designee will promptly refund the excess payment to the party that paid it.

6. Modification of Franchise, Trade Dress and Equipment Brand Standards.

(a) Franchisor reserves the right to modify the System and Marks from time to time, including, without limitation, the right to (1) add new and different Approved Supplies, Products and Services to the list of authorized Approved Supplies, Products and Services and related products and services, (2) withdraw Approved Supplies, Products and Services from the list of authorized Approved Supplies, Products and Services and related products and services, or to change their names, Brand Standards and/or image, (3) change the Trade Dress and Brand Standards for furniture, fixtures, equipment and leasehold improvements for the Restaurant, (4) add or change the Brand Standards for Customer engagement, (5) abandon the use of any Approved Supplies, Products and Services that Franchisor withdraws from the list of authorized Approved Supplies, Products and Services, and (6) require the use of new or different Technology and Information Systems, some of which may be paid for through the Technology Fee and some of which may require additional fees or costs to implement and use. Franchisee will promptly comply with and adopt, at its own expense, all such modifications, including but not limited to, modifications of the Marks, Trade Dress, Technology and Information Systems, signage, stationery, business cards, promotional materials and other items related to, or used in the operation of, Franchisee's Restaurant. Franchisor will not be liable to Franchisee for any expenses or revenue losses associated with any modification to the System, including but not limited to any modification to Franchisor's current Brand Standards which adversely impacts Franchisee's Restaurant's revenues.

(b) If the addition of Approved Supplies, Products and Services to the authorized list would not require the installation of new furniture, fixtures, equipment and leasehold improvements, Franchisor may instruct Franchisee to begin offering the new Approved Supplies, Products and Services as of a date specified in a supplement to the Brand Standards Manual. Similarly, if the deletion of any Approved Supplies, Products and Services from the authorized list would not require the removal of furniture, fixtures, equipment and leasehold improvements, Franchisor may direct Franchisee to cease offering the Approved Supplies, Products and Services as of a date specified in a supplement to the Brand Standards Manual. Franchisee will comply with Franchisor's instructions as of the date Franchisor specifies, which need not be more than 30 days after Franchisor distributes the Brand Standards Manual supplement.

(c) If Franchisor abandons or adopts changes in the Brand Standards that necessitate the addition or removal of furniture, fixtures, equipment, leasehold improvements, signs or Trade Dress items, Franchisor may instruct Franchisee to adapt Franchisee's Restaurant to the Brand Standards through a supplement to the Brand Standards Manual. Franchisor, in consultation with Franchisee, will establish a schedule for Franchisee to implement such changes that will depend, among other factors, on Franchisee's Restaurant's size, age, and the amount Franchisee has spent in recent periods to refurbish and upgrade Franchisee's Restaurant. Franchisee will remove from Franchisee's Restaurant any items Franchisor designates as obsolete and will purchase and/or lease and install any different or additional items Franchisor specifies as meeting its new Standards, all in accordance with the schedule Franchisor establishes for Franchisee's Restaurant.

(d) If Franchisor allows Franchisee's Restaurant to participate in any new Approved Supplies, Products and Services and other related products and services test, then Franchisee will participate in the test in accordance with the Brand Standards and will discontinue offering any Approved Supplies, Products and Services and other related products and services that Franchisor decides not to permanently add to the authorized list. Following any such Approved Supplies, Products and Services and other related products and services test, upon request from Franchisor, Franchisee will provide to Franchisor such results and data from such tests as Franchisor may reasonably request.

(e) If Franchisee develops or suggests an innovation or improvement at Franchisee's Restaurant or with respect to the CAFÉ MEXICALI System that Franchisor decides to incorporate into the System for use in other CAFÉ MEXICALI Restaurants (whether on a temporary or permanent basis and whether applicable to all or select franchisees), the innovation or improvement will become Franchisor's Confidential Information without compensation to Franchisee or any Principals. Franchisee hereby assigns ownership of each such innovation or improvement to Franchisor and agrees to execute and deliver all such additional instruments and documents as Franchisor may request to evidence the assignment and Franchisor's ownership of the innovation or improvement.

7. Franchisor Services and Assistance.

(a) **Development Stage Assistance.** Franchisor (or its designee) will provide the following services and assistance to Franchisee before Franchisee opens its Restaurant.

(i) Furnish Franchisee a list that describes or shows the Brand Standards for the leasehold improvements, furniture, fixtures, equipment, signage and trade dress that Franchisee must purchase, use and install in Franchisee's Restaurant. Franchisor does not provide leasehold improvements, furniture, fixtures, equipment, signage and trade dress directly, nor does Franchisor deliver or install any leasehold improvements, furniture, fixtures, equipment, signage and trade dress in the Restaurant, but Franchisor reserves the right to require Franchisee to contract with a third party vendor of Franchisor's designation who provides Franchisee with and/or installs certain leasehold improvements, furniture, fixtures, equipment, signage and trade dress in the Restaurant. Franchisor may also provide Franchisee's architect or general contractor information about the sequence of events and procedures that must be followed in building out and equipping a CAFÉ MEXICALI Restaurant.

(ii) Furnish Franchisee a list that describes or shows the food and beverage supplies and related products and other incidentals needed to stock and operate the Restaurant, together with the names of any suppliers Franchisor has designated or approved, which may include Franchisor or its Affiliates or any third-party suppliers.

(iii) Conduct initial training for Franchisee's Training Team in partial consideration for the payment of the Initial Franchise Fee. Prior to rendering their services to Franchisee's Restaurant, the entire Training Team will attend and complete, to Franchisor's satisfaction, initial training conducted by Franchisor. The Training Team must begin training at least six weeks before the expected opening date of the Restaurant, and must complete training at least two weeks before the expected opening date of the Restaurant. When Franchisee's Training Team arrives for training, Franchisor will loan Franchisee one copy of the Brand Standards Manual. Franchisor reserves the right to charge an additional fee to Franchisee for any additional required or optional training before or after the Restaurant opens for business and training for other or subsequent personnel in addition to the Training Team. Franchisee will be solely responsible for Franchisee's Training Teams' travel expenses and room, board and wages during such training. Franchisee may send additional persons to training, or replacement persons to initial training, subject to payment of a fee per person equal to Franchisor's travel expenses and room, board and wages. Franchisor may periodically make other mandatory or optional training available to Franchisee's employees as well as other programs, seminars and materials, and Franchisee will ensure that all employees, as Franchisor may direct, satisfactorily complete any such additional initial or refresher required training within the time specified.

(iv) Provide Franchisee with opening assistance from up to three of Franchisor's opening and operations representatives in connection with the opening of the first Restaurant. Franchisor's representatives will provide on-site pre-opening and opening training, supervision, and assistance to Franchisee for approximately six consecutive days in the aggregate before, during and after the actual opening date of the Restaurant. In consideration for such opening assistance services, Franchisee will reimburse to Franchisor the actual costs for the opening and operations representatives that provide opening assistance, including costs of travel, lodging, meals and prorated wages for the opening and operations

representatives. Franchisee is expected to provide its own opening support for its second and each additional CAFÉ MEXICALI Restaurant (whether or not all are developed pursuant to a Development Agreement), but Franchisor may provide some lesser amount of opening support upon request or if Franchisor deems it necessary.

(v) Implement (if/when available) and connect Franchisee to the CAFÉ MEXICALI Operating System.

(b) **Operational Assistance.** Franchisor (or, notwithstanding the following, its designee) will provide the following services and assistance to Franchisee after Franchisee's Restaurant opens.

(i) Send Franchisor's opening and operations representatives to Franchisee's Restaurant in the manner set forth above to verify that Franchisee is operating the Restaurant in accordance with the Brand Standards.

(ii) Implement (if/when available) and maintain Franchisee's connection to the CAFÉ MEXICALI Operating System.

(iii) Provide such advice and assistance to Franchisee as Franchisor deems advisable in planning publicity and promotions for Franchisee's Restaurant's promotion, including print media and display advertising.

(iv) Make its staff accessible to Franchisee's personnel, to the extent Franchisor deems advisable, for consultation by telephone, fax, written communication, email and other forms of electronic communication during regular business hours. Franchisor may periodically visit Franchisee's Restaurant to conduct QSC Reviews and to consult with Franchisee regarding Brand Standards compliance as Franchisor deems appropriate, but will not provide routine field supervision.

(v) Loan Franchisee additions and supplements to the Brand Standards Manual as they become available, and will disclose to Franchisee additional Trade Secrets, if any, Franchisor develops that relate to the operation of a CAFÉ MEXICALI Restaurant.

(vi) So long as Franchisee is in full compliance with this Agreement and all other agreements with Franchisor, invite Franchisee to attend (at Franchisee's expense) all conventions, seminars and franchisee-oriented functions, if any, which Franchisor from time to time plans and sponsors and which are applicable to Franchisee or Franchisee's Restaurant. Attendance to such conventions, seminars and other franchisee-oriented functions will be mandatory, unless otherwise agreed by Franchisor in writing.

(vii) Sell to Franchisee, or cause Franchisor's affiliates to sell to Franchisee, the then current array of Approved Supplies, Products and Services that Franchisor or its Affiliates may manufacture or distribute and have mandated or authorized for use, offer or sale in CAFÉ MEXICALI Restaurants (if any).

8. Site Selection. All of the following provisions will apply if a site for the establishment and operation of the Restaurant has not obtained Franchisor's consent and been fully described in the Summary Pages as of the Effective Date. If a site has already obtained Franchisor's consent and been fully described in the Summary Pages as of the Effective Date, Section 8(f) and (g) will still apply to the Restaurant to the extent such purchase or lease has not been executed as of the Effective Date.

(a) If the site for the Restaurant has not yet been determined as of the date of this Agreement, then the Restaurant will be located at a location approved by Franchisor within the Target Area set forth in the Summary Pages. Franchisee acknowledges and understands that the Target Area is delineated for the sole purpose of site selection and does not confer any territorial exclusivity or protection and is not exclusive to Franchisee. At such time as the site and Restaurant Address for the Restaurant has been determined and approved in accordance with this Agreement, the Restaurant Address and Territory will be added into the

final page of the Summary Pages, that is the Territory and Restaurant Address Supplement, and will be signed by both parties.

(b) Within 180 days after the execution of this Agreement, Franchisee must locate and obtain Franchisor's consent for a site within an agreed area (which may be the Development Area under a valid Development Agreement) for the establishment and operation of the Restaurant. Franchisee must submit to Franchisor:

(i) a completed site review form designated by Franchisor, which will include, among other things, demographic information, a site plan, and traffic-related information;

(ii) if the premises for the proposed site are to be leased, satisfactory evidence that the lessor will agree to the minimum requirements contained in this Agreement; and

(iii) any other information or materials as Franchisor requires, such as a letter of intent or other document which confirms Franchisee's favorable prospects for obtaining the proposed site.

(c) Upon receipt of all requested documentation, Franchisor will notify Franchisee of its consent to or rejection of the site in writing within a period of 30 days. Franchisee agrees to accept all of Franchisor's decisions as final. Franchisee hereby acknowledges and agrees that Franchisor's consent regarding a site does not constitute an assurance, representation or warranty of any kind, express or implied, as to the suitability of the site for Restaurant or for any other purpose or of the financial success of operating Restaurant at such site. Upon consent to the site, the Restaurant Address in the Summary Pages will be completed.

(d) If Franchisor deems necessary, Franchisor will undertake one on-site evaluation of a proposed site free of charge. For all subsequent on-site evaluations requested by Franchisee or required by Franchisor, Franchisee agrees to reimburse Franchisor for its expenses, including travel and lodging expenses (if needed), and the then current per diem charge for salaries.

(e) Upon Franchisee's written request, Franchisor, without obligation, may grant a written extension or extensions to the period for obtaining Franchisor's consent for a proposed site.

(f) If Franchisee will occupy the premises of the Restaurant under a lease, Franchisee will submit a copy of the lease containing a lease rider in the form attached as Exhibit E to Franchisor for written approval prior to its execution and will furnish to Franchisor a copy of the executed lease within 10 days after execution. No lease for the Restaurant premises will be executed by Franchisee unless first consented to by Franchisor, which consent will be subject to inclusion of the Lease Rider attached as Exhibit E and the satisfaction of the conditions set forth above.

(g) If Franchisee will purchase the premises for the Restaurant, Franchisee will submit a copy of the proposed contract of sale to Franchisor for its written consent prior to its execution and will furnish to Franchisor a copy of the executed contract of sale within 10 days after execution.

9. Build-Out, Relocation and Operations. In connection with the build-out and operation of Franchisee's Restaurant, Franchisee agrees to fulfill the requirements, to perform the obligations and to observe the restrictions stated in this Section.

(a) Franchisee will construct, finish out, equip, furnish and decorate Franchisee's Restaurant in compliance with this Agreement and Franchisor's Brand Standards for leasehold improvements, furniture, fixtures, equipment (including the Technology and Information Systems), signage and Trade Dress. Franchisee will acquire all proprietary and other leasehold improvements, furniture, fixtures, equipment, signage and Trade Dress for use on, at, or through the premises of Franchisee's Restaurant from suppliers designated by Franchisor in writing. After Franchisee's Restaurant opens, Franchisee will not alter its leasehold improvements, furniture, fixtures, equipment, signage and Trade Dress in any fashion without Franchisor's express prior written permission.

(b) Franchisee will display at such location on Franchisee's Restaurant premises as Franchisor designates, a placard of such size as Franchisor prescribes containing the following statement: "This CAFÉ MEXICALI Restaurant is owned and operated by an independent third-party franchisee business owner under a franchise license from "Café Mexicali - Franchising, LLC" Franchisee will never make a statement or representation to any Person that is contrary to or inconsistent with this Agreement.

(c) Franchisee will appoint one Principal who is approved by Franchisor to be the Controlling Principal. The Controlling Principal will be Franchisee's sole contact with Franchisor and its staff for purposes of administering and coordinating the relationship created by this Agreement. Franchisee must also recruit and hire an Operator with the minimum requisite eligibility standards as set in the Brand Standards Manual. Such Operator must devote his or her full time and best efforts to the operation of the Restaurant and if Franchisee, whether directly or through its Affiliates, owns and operates more than one CAFÉ MEXICALI Restaurant, the Operator will oversee the daily operation of all of such Restaurants. The Controlling Principal may also serve as the Operator. Franchisee will also recruit and hire a full-time General Manager who satisfies the Brand Standards for eligibility as stated in the Brand Standards Manual; provided that if Franchisee's Restaurant is the first CAFÉ MEXICALI Restaurant developed by Franchisee and its Affiliates then the Operator and the General Manager may be the same person. If the initial or any successor Controlling Principal, Operator, or General Manager resigns or otherwise leaves Franchisee's employment, Franchisee will notify Franchisor within 5 days and will appoint a suitably qualified replacement Controlling Principal, Operator or General Manager within a reasonable time which will in no case exceed 30 days from the date of departure.

(d) The Controlling Principal, Operator, and General Manager are part of the Training Team and will in all cases attend Franchisor's initial training program, at Franchisee's sole expense. The Controlling Principal, Operator, and General Manager must timely complete Franchisor's training program to Franchisor's satisfaction before Franchisee's Restaurant may open for business. Notwithstanding the foregoing, Franchisor and Franchisee acknowledge and agree that Franchisor will not, and will have no right or authority to, control the employees of the Restaurant or Franchisee's other employees. Franchisor will have no right or authority with respect to the hiring, termination, discipline, work schedules, pay rates or pay methods of employees of the Restaurant or of Franchisee. Franchisee acknowledges and agrees that all employees of the Restaurant and of Franchisee will be the exclusive employees of Franchisee and will not be employees of Franchisor nor joint employees of Franchisee and Franchisor.

(e) As soon as Franchisee obtains a telephone number for Franchisee's Restaurant and also when Franchisee signs agreements for or obtains any type of directory listing (both web-based and print) for Franchisee's Restaurant, Franchisee will provide Franchisor with information regarding such telephone numbers and directory listings and copies of all agreements with any third parties that will be hosting information regarding for Franchisee's Restaurant and/or containing the Marks. Franchisee will also sign any transfer acknowledgement agreements that Franchisor may require for a particular type of directory listing. Franchisee will promptly update Franchisor if any such information changes during the term of this Agreement. Franchisee hereby consents to Franchisor contacting all such third parties in connection with the termination or expiration of this Agreement.

(f) Franchisee will begin construction of Franchisee's Restaurant at least 90 days before the Required Opening Date, and will notify Franchisor in writing of Franchisee's anticipated opening date for Franchisee's Restaurant within 10 days of beginning construction of Franchisee's Restaurant. Franchisee will open the Restaurant for business not later than the Required Opening Date and will operate it continuously throughout the entire Term solely under the Marks and System and in accordance with the Brand Standards Manual. If Franchisee's Restaurant's construction or opening is interrupted by an Event of Force Majeure, Franchisee will promptly notify Franchisor and provide Franchisor details of such Event of Force Majeure and its anticipated schedule for opening. In such event, the Required Opening Date will be extended up to 180 days at Franchisor's discretion unless Franchisor otherwise agrees to a longer extension;

provided that failure to open Franchisee's Restaurant within any such extended period will be a material default of this Agreement.

(g) If the lease for Franchisee's Restaurant expires before the end of the Term, or if Franchisee loses possession of the original Restaurant's premises on account of condemnation or eminent domain proceedings, Franchisee may move Franchisee's Restaurant to another location approved by Franchisor in accordance with Franchisor's site selection procedure. Franchisee must initiate the relocation procedure in time to lease, build-out and open the new Restaurant for business within 90 days after the original Restaurant closes. The new location (i) must be in the original Restaurant's Territory, (ii) must be consented to by Franchisor in accordance with the site consent guidelines under this Agreement and (iii) may in no case infringe upon a Franchise Agreement or other agreement applicable to another CAFÉ MEXICALI Restaurant. Franchisor reserves the right to reduce or eliminate the Territory following an approved relocation depending on the new site of the Restaurant.

(h) Franchisee must (i) comply with and adhere to the brand-based operational policies and procedures set forth in the Brand Standards Manual, as revised and supplemented from time to time, related to the Approved Supplies, Products and Services, used, offered or sold at the Restaurant; (ii) purchase only permitted Approved Supplies, Products and Services set forth in the Brand Standards Manual; (iii) purchase permitted Approved Supplies, Products and Services only from approved manufacturers, distributors and suppliers, including but not limited to, the purchase of certain Approved Supplies, Products and Services from Franchisor and/or its Affiliates, who may be the sole source for certain Approved Supplies, Products and Services required or permitted to be used in the operation of the Restaurant; (iv) follow Franchisor's procedures in the handling, storage, preparation, presentation and dispensing of all Approved Supplies, Products and Services, and (v) offer all Approved Supplies, Products and Services included on Franchisor's authorized lists, as revised from time to time, and refrain from offering any Approved Supplies, Products and Services that are not included on Franchisor's authorized lists, as revised from time to time, without Franchisor's prior written consent.

(i) If Franchisee desires to purchase any Approved Supplies, Products and Services from an unapproved manufacturer, distributor or supplier, Franchisee will submit to Franchisor a written request for such approval, or will request the manufacturer, distributor or supplier itself to do so. Franchisee will not purchase from any manufacturer, distributor or supplier until and unless such manufacturer, distributor or supplier has been approved in writing by Franchisor. Franchisor will have the right to require that its representatives be permitted to inspect the manufacturer's, distributor's or supplier's facilities, and that samples from the manufacturer, distributor or supplier be delivered either to Franchisor or to an independent laboratory designated by Franchisor for testing. A charge not to exceed the reasonable cost of the inspection and the actual cost of the test will be paid by Franchisee or the manufacturers, distributors or suppliers. Franchisor reserves the right, at its option, to reinspect from time to time the facilities and products or services of any such approved manufacturer, distributor or supplier and to revoke its approval upon the manufacturer's, distributor's or supplier's failure to continue to meet any of Franchisor's then current criteria. Nothing in the foregoing will be construed to require Franchisor to approve any particular manufacturers, distributors or suppliers or their proposed products and services, and to the extent permissible under then applicable law, Franchisor will have the right to limit the number of approved manufacturers, distributors or suppliers for any particular Approved Supplies, Products and Services used or offered for sale at CAFÉ MEXICALI Restaurants generally, as Franchisor deems appropriate. Franchisee will require all of its proposed manufacturers, distributors or suppliers to execute a confidentiality agreement with respect to Franchisor's Confidential Information, in a form acceptable to Franchisor.

(j) Franchisee acknowledges and agrees that Franchisor and its Affiliates have developed or may in the future develop branded, proprietary, and/or such other products and services that will become part of the Approved Supplies, Products and Services and that Franchisor may require Franchisee to purchase from Franchisor, its Affiliates or specific approved vendors, and then require Franchisee to use, offer or sell in the Restaurant. Franchisor may add to or eliminate the list of required or optional branded, proprietary, or

such other products and services from time to time, Franchisee will purchase, use, offer and/or sell such then currently designated branded, proprietary, or such other products and services at the Restaurant.

(k) If Franchisor receives any cash rebates, volume discounts, concessions, advertising allowances, or discount bonuses (collectively “**Discounts**”), whether by way of cash, in-kind or credit, from any manufacturer, distributor or supplier designated by Franchisor, whether or not on account of purchases made (i) by Franchisor for its own account or for Franchisee’s account, or franchisees generally, or (ii) by Franchisee directly for its own account, Franchisor will be entitled to retain the whole of the amount or any part of such Discounts as Franchisor deems appropriate.

(l) With respect to the offer and sale of Approved Supplies, Products and Services on the Restaurant’s approved list, Franchisor may from time to time offer guidance with respect to the selling price for such Approved Supplies, Products and Services, and may run advertising and promotions stating a specific selling price for Approved Supplies, Products and Services. Franchisee will have the right to sell its Approved Supplies, Products and Services at any price that Franchisee may determine, except with respect to certain Approved Supplies, Products and Services pricing designated by Franchisor from time to time, to the extent permitted by applicable law, including maximum or minimum prices. If Franchisee elects to sell any or all of its Approved Supplies, Products and Services at any price recommended by Franchisor, Franchisee acknowledges that Franchisor has made no guarantee or warranty that offering such Approved Supplies, Products and Services at the recommended price will enhance Franchisee’s sales or profits. Notwithstanding the foregoing, Franchisor reserves all rights available under then applicable law to condition participation in special or voluntary programs and offerings on Franchisee’s adherence to Franchisor’s requirements, including with respect to pricing standards.

(m) If Franchisor institutes a program regarding pre-paid goods or services (including, without limitation, gift cards, gift certificates or vouchers) and the delivery and redemption thereof, for CAFÉ MEXICALI Restaurants, Franchisee will participate in such program and will adhere to all such policies regarding the program set forth in the Brand Standards Manuals or otherwise in writing from time to time, including by signing any third-party agreements or paying any third-party fees that are required for participation in such programs. Franchisee shall purchase and maintain a minimum inventory of gift certificates, gift cards or vouchers, shall offer such gift certificates, gift cards or vouchers for sale and shall honor any such gift certificates, gift cards or vouchers presented at the Restaurant for the purchase of tickets or food or beverage items. Franchisee may not create or issue its own gift certificates, gift cards or vouchers and shall only sell gift certificates, gift cards or vouchers approved by Franchisor. Nor may Franchisee sell gift cards, gift certificates or vouchers in bulk or to any retailers for resale. Franchisee must adhere to Franchisor’s then current specifications with respect to any voucher programs such as Groupon, Living Social or other similar offerings, including with respect to the calculation of Gross Sales based on the sale and redemption of vouchers and similar certificates.

(n) If Franchisor institutes a customer loyalty program for CAFÉ MEXICALI Restaurants, Franchisee will participate in such customer loyalty program established by Franchisor and enter into all required agreements and pay all participation fees due to any third-party vendor.

(o) If Franchisor institutes programs regarding online or mobile ordering and/or third-party delivery service providers, Franchisee will participate in and use any such ordering and/or delivery program or service provider that Franchisor designates, and refrain from using any other ordering and/or delivery program or service provider without Franchisor’s prior written approval. Franchisor may designate an ordering and/or delivery program or service provider in Franchisor’s sole and absolute discretion. Franchisee can request the approval of an ordering and/or delivery program or service provider by notifying Franchisor in writing and submitting such information and the draft agreement with such ordering and/or delivery program or service provider as Franchisor may request. Franchisor may require Franchisee to pre-pay any reasonable charges connected with Franchisor’s review and evaluation of any proposal. Franchisor will notify Franchisee of Franchisor’s decision within a reasonable time after Franchisor’s receipt of all required

information and the applicable agreement. Franchisor may approve, or revoke or deny approval, of any ordering and/or delivery program or service provider in Franchisor's sole and absolute discretion. Designation of an ordering and/or delivery program or service provider may be conditioned on factors, including without limitation, Franchisor's right to obtain and verify Gross Sales placed through the ordering and/or delivery program or service provider platform and amount of service charges paid to the ordering and/or delivery program or service provider and the ordering and/or delivery program or service provider's standard for handling food, order and delivery. If Franchisor deems appropriate, Franchisee shall include Franchisor as a party or third-party beneficiary to the delivery service agreement between the ordering and/or delivery program or service provider and Franchisee. Failure to obtain Franchisor's approval shall be a default under this Agreement for which Franchisor may terminate this Agreement or charge liquidated damages equal to 8% of two times of any amount not being reported for the calculation of Royalty Fee, including any ordering and/or delivery program or service provider fee. In such event, Franchisor have the right to conduct a full audit of Franchisee's sales. Notwithstanding the foregoing, nothing in the foregoing will be construed to require Franchisor to approve any particular ordering and/or delivery program or service provider, and to the extent permissible under then applicable law, Franchisor will have the right to designate a single approved third-party food service or limit the number of approved third-party food service for the CAFÉ MEXICALI Network, as Franchisor deem appropriate, and contract for rebates, discounts, allowances or other benefits with any such sole ordering and/or delivery program or service provider or other approved ordering and/or delivery program or service provider.

(p) Franchisee will imprint the Marks on all leasehold improvements, furniture, fixtures, equipment, trade dress, signage, paper products and other disposables used in Franchisee's Restaurant in accordance with instructions in the Brand Standards Manual, and will purchase items imprinted with the Marks only from manufacturers, distributors or suppliers Franchisor designates or approves in the Brand Standards.

(q) Franchisee will display in Franchisee's Restaurant all (i) product and service identification materials, (ii) point-of-purchase promotional materials, (iii) promotional memorabilia, merchandise and prizes, and (iv) other advertising and marketing materials Franchisor provides to Franchisee pursuant to the Brand Standards for use by CAFÉ MEXICALI Restaurants. At Franchisor's request, Franchisee will display in a prominent, accessible place a "franchise opportunity" display furnished by Franchisor at its expense for the purpose of increasing public awareness of the availability of franchises.

(r) Franchisee will at a minimum maintain the physical appearance and integrity of Franchisee's Restaurant and its leasehold improvements, furniture, fixtures, equipment, trade dress and signage in accordance with the Brand Standards, and will at a minimum maintain Franchisee's Restaurant premises, including all interior and exterior areas, in a clean, safe and sanitary condition at all times. In all cases, Franchisee will routinely clean and maintain all leasehold improvements, furniture, fixtures, equipment, trade dress and signage used in connection with Franchisee's Restaurant in good order and repair and cause the same to be promptly replaced as they become worn, damaged, obsolete, out of style or mechanically impaired, and when offered or applicable, enter into preventative maintenance programs as further described in the Brand Standards Manual. Notwithstanding, upon the fifth anniversary of the Effective Date or such later date during the Term that Franchisor designates, Franchisee will renovate, refurbish, upgrade and/or make such capital improvements to Franchisee's Restaurant that Franchisor deems appropriate to conform it to Franchisor's then-current standards and specifications.

(s) Franchisee will maintain minimum CAFÉ MEXICALI Restaurant business hours and days of operation in accordance with the Brand Standards, except to the extent that Franchisor grants a written exception.

(t) Franchisee will comply strictly with all federal, state and local laws and government regulations applicable to Franchisee's Restaurant, including, without limitation, those relating to restaurant or food service, taxation, employment and promotion practices, employee wages, child and immigrant labor,

disabled persons, environmental, truth-in-advertising, occupational safety and health, firearms and other weapons and sanitation. Franchisee will submit to Franchisor any and all health inspection or similar report for Franchisee's Restaurant within seven days of its receipt of such report.

(u) If franchisee elects, on Franchisor's prior written approval, to offer and sell alcoholic beverages at the Restaurant, Franchisee will timely seek, obtain and maintain all required Liquor Licenses permitting the sale of alcoholic beverages at the Restaurant. Franchisee will continually comply with all applicable laws and regulations relating to the sale of alcoholic beverages at the Restaurant for so long as alcoholic beverages are served at the Restaurant, and will obtain and maintain such host liquor liability and general liability insurance coverage that is specified on the Summary Pages of this Agreement. Franchisee shall ensure each and every Franchisee employee involved in the sale and service of alcoholic beverages attend and receive certification from a state approved alcoholic beverage seller training class and maintain appropriate certification at all times.

(v) Franchisee will provide appropriate training, supervision and security for all personnel employed in Franchisee's Restaurant, provide an environment where safety and courtesy are paramount, while maintaining excellence in business operations and standards, and instruct all employees of Franchisee's Restaurant in the proper use and display of the Marks and the confidential handling of the Confidential Information, all as stated in the Brand Standards. Franchisee will provide appropriate training for maintaining the Brand Standards. Franchisee will ensure that all Franchisee's Restaurant's employees follow Franchisor's grooming and dress code and wear the CAFÉ MEXICALI Restaurant logoed items developed or approved by Franchisor. In all cases, Franchisee has the sole responsibility and authority for Franchisee's employees' terms and conditions of employment.

(w) Franchisee will (i) adopt and follow Franchisor's fiscal year for accounting purposes, (ii) adopt and follow the accounting principles, policies and practices Franchisor prescribes, including use of Franchisor's standard chart of accounts, (iii) acquire, install and use the Technology and Information Systems Franchisor specifies from time to time in the Brand Standards Manual, (iv) obtain and at all times utilize the services of a credit card processor approved by Franchisor, (v) install and continually maintain a primary broadband internet connection and backup telephone line (or wireless) connection (or future equivalent) that facilitates communication between Franchisor's computer system and Franchisee's Technology and Information Systems, and (vi) furnish Franchisor for the primary and backup connections telephone line email address, web address, telephone number, IP addresses and firewall configurations as originally assigned and as changed from time to time.

(x) Franchisee must implement and maintain an approved Payment Card Industry (PCI) compliance program for Franchisee's Restaurant. Franchisor may suggest third-party PCI compliance vendors occasionally, but Franchisee is free to submit alternative PCI compliance vendors to Franchisor for approval or seek approval to perform Franchisee's own PCI compliance, and Franchisee is in all cases solely responsible for Franchisee's and the Restaurant's PCI compliance programs. Franchisee must submit PCI compliance reports to Franchisor in the manner and frequency Franchisor sets in the Brand Standards Manual. Franchisee's failure to comply will be a material default under this Agreement. In all cases, Franchisee is solely responsible for protecting the Restaurant from computer viruses, bugs, power disruptions, communication line disruptions, internet access failures, internet content failures, date-related problems, and attacks by hackers and other unauthorized intruders.

(y) Franchisee will accurately calculate and report Gross Sales and Customer counts to Franchisor at the times and through the procedures Franchisor from time to time specifies (which may include use of the CAFÉ MEXICALI Operating System, if applicable). Franchisee acknowledges that Franchisor may electronically poll the Restaurant's Technology and Information Systems to obtain Gross Sales data, as well as other financial and operating information through the Intranet (if implemented), which will be available to Franchisor twenty-four hours every day. Franchisee agrees to maintain continual data network

access to Franchisee's Restaurant's Technology and Information Systems for use by Franchisor. There is no limitation on Franchisor's ability to access or use the obtained data and financial and operating information.

(z) Franchisee will maintain complete and accurate books and records relating to the operation of Franchisee's Restaurant in accordance with this Section, permit Franchisor representatives to inspect such books and records at any time with or without notice to Franchisee and, within 45 days after the end of each fiscal year of Franchisee's Restaurant, submit to Franchisor a balance sheet, income statement and statement of cash flow for the year then ended. These financial statements will be prepared and certified by an independent certified public accountant, disclose separately the items specified by Franchisor on forms it provides, and will be prepared in accordance with the accounting principles and practices Franchisor prescribes. If Franchisee is at any time required to furnish any lender, lessor, government agency or other Person audited financial statements with respect to Franchisee's Restaurant, Franchisee will concurrently furnish Franchisor a copy of such audited financial statements. In addition to the annual reports required above, no later than the last business day of the month following the close of each fiscal quarter (other than the fourth fiscal quarter), Franchisee will deliver to Franchisor an unaudited balance sheet as of the end of such fiscal quarter and an income statement for such fiscal quarter.

(aa) Franchisee is solely responsible for the payment of all taxes owed by Franchisee and preparation of all tax returns required to be filed by Franchisee. At Franchisor's request, Franchisee will furnish Franchisor copies of all federal and state income and sales tax returns filed by Franchisee with respect to Franchisee's Restaurant's income or sales.

(bb) Franchisee shall process and handle all Customer or other complaints connected with or relating to the Restaurant, and shall promptly notify Franchisor by telephone and in writing of all: (a) food related illnesses, (b) safety or health violations, (c) claims exceeding \$1,000.00, and (d) any other material claims against or losses suffered by Franchisee. Franchisee shall maintain any communications with governmental authorities affecting the Restaurant during the term of this Agreement and for one (1) year after the expiration or earlier termination hereof. Further, upon the occurrence of a Crisis Management Event, Franchisee must immediately inform Franchisor by telephone or electronic means, must cooperate fully with Franchisor with respect to Franchisor's response to the Crisis Management Event, and must implement such remediation plan as may be instituted by Franchisor, which may include Franchisor requiring a temporary closure of the Restaurant as part of the Crisis Management Event remediation plan (whether or not all or other CAFÉ MEXICALI Restaurants are required to temporarily close).

(cc) Franchisee will permit Franchisor representatives to conduct unannounced QSC Reviews of Franchisee's Restaurant at any time during normal business hours. Franchisee will promptly correct any condition noted as "unsatisfactory" or "needs improvement" in a QSC Review or staff evaluation report.

(dd) Franchisee will permit Franchisor to conduct special audits of Franchisee's books and records relating to Franchisee's Restaurant's operation at any time during the Term, and for three years after this Agreement expires, terminates or is transferred. All such books and records will be kept available for at least three years after the termination, expiration or Transfer of this Agreement for any reason. To assist Franchisor in planning and conducting its audit program, Franchisee expressly authorizes Franchisor to obtain from any vendor with which Franchisee does business copies of invoices and other sales data related to Franchisee's account with the vendor. If an audit establishes that Continuing Fees or profit and loss statements have understated Gross Sales for any fiscal year by more than 2%, Franchisee will pay the audit's cost, including professional fees and the travel, lodging and meal expenses of the individuals who conduct the audit. Otherwise, Franchisor will bear the audit's entire cost. Franchisee will promptly pay Franchisor any deficiencies established by an audit, together with interest as provided in this Agreement. If there is a deficiency two times in any 12-month period, this second deficiency will be considered a material default for which Franchisor will have the right to terminate this Agreement without any cure rights.

(ee) Franchisee will:

(i) carry continuously during the Term insurance of the types, in the amounts and with the coverage specified from time to time in the Brand Standards Manual and in any lease between Franchisee and Franchisor. Until the Brand Standards Manual specifies otherwise, Franchisee will carry insurance with the policy limits specified in the Summary Pages. Each policy must (1) be primary and non-contributory; (2) be issued by an insurance company(ies) with a rating of not less than “AVII” in the current Best Insurance Guide or approved by Franchisor; (3) name Franchisor and such Affiliates of Franchisor as Franchisor may designate as “additional insureds” and will contain an “Additional Insured-Designated Person or Organization” endorsement (or equivalent), without any qualifying language; (4) provide that the insurance cannot be canceled or non-renewed, except upon 30 days advance written notice to Franchisor; (5) contain a waiver of subrogation rights of the insurer(s) against Franchisor and its designated Affiliates, which waiver will be effective regardless of whether any loss is caused by the act, omission or negligence of Franchisor and its designated Affiliates, and (6) will contain a “Waiver of Transfer Rights of Recovery Against Others” endorsement (or its equivalent).

(ii) furnish Franchisor certificates of insurance, all insurance policy endorsements and a copy of the insurance policy(ies), if requested by Franchisor to prove that such insurance coverage is in effect, both prior to the opening of Franchisee’s Restaurant and thereafter, as requested by Franchisor (but in no event less than once per calendar year). Renewal insurance certificates of insurance will be delivered to Franchisor 30 days prior to the expiration date of each insurance policy. All deductible amounts on all insurance policies required hereunder will be disclosed in writing to and approved in advance by Franchisor and noted on the applicable insurance certificate. If Franchisee fails to maintain the required insurance, Franchisor may, but will not be obligated to, obtain coverage on Franchisee’s behalf and charge the cost to Franchisee. Franchisee agrees to reimburse Franchisor for the premium costs it incurs to provide such coverage, plus interest as provided in this Agreement, within ten days after Franchisor submits a statement for its costs.

(ff) Franchisee acknowledges the importance of operating the Restaurant in full compliance with this Agreement and the Brand Standards, and that any deviation from any contractual requirement, including any Brand Standard, is a violation of this Agreement and will trigger incalculable administrative and management costs for Franchisor to address the violation (separate and apart from any damages Franchisee’s violation might cause to the System, Franchisor’s business opportunities, or the goodwill associated with the Marks). Therefore, Franchisee agrees to be pay Non-Compliance Fees to Franchisor as and when applicable, which Non-Compliance Fees are a reasonable estimate of Franchisor’s administrative and management costs and not a penalty. Franchisor need not give Franchisee a cure opportunity before charging the Non-Compliance Fees, and charging the Non-Compliance Fee does not prevent Franchisor from seeking to recover damages to the System, Franchisor’s business opportunities, or the goodwill associated with the Marks due to Franchisee’s violation, seeking injunctive relief to restrain any subsequent or continuing violation, and/or formally defaulting Franchisee and terminating this Agreement in accordance with its terms.

10. Advertising and Promotions.

(a) **Grand Opening Advertising.** Franchisee will expend the Grand Opening Ad Expenditure for an initial opening advertising and promotion program to be conducted in accordance with the Brand Standards during the period commencing 90 days prior to the Required Opening Date and concluding 90 days following the Required Opening Date. Franchisee will submit the grand opening advertising budget to Franchisor for approval at least 60 days prior to expending the Grand Opening Ad Expenditure. The Grand Opening Ad Expenditure will be paid directly to the applicable service providers and not to Franchisor. Franchisee will submit proof of payment of the Grand Opening Ad Expenditure upon Franchisor’s request.

(b) Local Advertising.

(i) Throughout the term of this Agreement, Franchisee will spend the Local Ad Expenditure on local advertising. Any marketing materials not created by Franchisor are subject to

Franchisor's approval, and must be submitted to, and approved by, Franchisor in advance of their distribution, publication or broadcast, and such use must be discontinued upon written notice from Franchisor, including in connection with any approved uses of Social Media. Franchisee will submit to Franchisor an advertising expenditure report accurately reflecting all local advertising expenditures no later than the 7th day of each calendar month during the term of this Agreement (or at any other frequency or on any other date directed by Franchisor in writing). In addition to the restrictions set forth below, costs and expenditures incurred by Franchisee in connection with any of the following will not be included in Franchisee's expenditures on local advertising for purposes of this Section, unless approved in advance by Franchisor in writing: (1) incentive programs for employees or agents of Franchisee, including the cost of honoring any discounts or coupons distributed in connection with such programs; (2) research expenditures; (3) free Approved Supplies, Products and Services costs incurred in any promotion; (4) salaries and expenses of any employees of Franchisee, including salaries or expenses for attendance at advertising meetings or activities; (5) charitable, political or other contributions or donations; (6) press parties or other expenses of publicity; (7) in-store materials consisting of fixtures or equipment; (8) seminar and educational costs and expenses of employees of Franchisee; and (9) specialty items such as T-shirts, premiums, pins, and awards, unless those items are part of a market-wide advertising program and then only to the extent that the cost of the items is not recovered by the promotion.

(ii) Franchisee agrees to participate in all system-wide promotions and advertising campaigns Franchisor originates.

(iii) Should Franchisee create its own local advertising and promotions, as provided in this Section, Franchisor reserves the right to approve in advance of use by Franchisee any graphic materials or commercials developed by Franchisee and the media in which they are placed.

(iv) Upon written notice, Franchisor may unilaterally require that Franchisee pay all or any portion of the Local Ad Expenditure as an Advertising Fee, Ad Fund Contribution or to an Area Cooperative; provided that the combined amount to be spent as a Local Ad Expenditure, Advertising Fee or Ad Fund Contribution or to an Area Cooperative will not exceed a maximum of 4% of Gross Sales.

(c) Advertising Fee.

(i) Franchisor may require Franchisee to pay Franchisor an Advertising Fee in accordance with this Agreement upon at least 60 days' written notice to Franchisee. Funds received as Advertising Fees will be used to reimburse Franchisor and its Affiliates for administrative costs and expenses related to implementing advertising programs and assistance for CAFÉ MEXICALI Restaurants. Permitted administrative costs may in all cases include, but are not limited to, (i) creating advertising and marketing materials relating to the System and the Approved Supplies, Products and Services CAFÉ MEXICALI Restaurants offer and sell, including the local advertising material, (ii) creating an Ad Fund, (iii) paying for public relations services and projects (including sponsorships) intended to enhance the goodwill and public image of the System, (iv) conducting market research, focus groups and advertising tracking studies, and (v) reimbursing Franchisor and its Affiliates (based on allocations calculated by Franchisor's management): (a) for salaries and other overhead expenses that are directly related to projects of a character described above, depending on markets and population, and (b) for part of the cost of maintaining the CAFÉ MEXICALI Website.

(ii) If initiated, Franchisor will attempt to use the Advertising Fee in a manner that provides marketing benefits to all CAFÉ MEXICALI Restaurants, but may allocate Advertising Fees to various permitted uses as it sees fit and Franchisor makes no guarantees that all CAFÉ MEXICALI Restaurants will receive equal advertising benefits from funds received through the Advertising Fee.

(iii) Franchisor has no obligation to prepare or to provide financial statements reflecting the use of funds received through the Advertising Fee.

(d) Ad Fund.

(i) Franchisor will have the right to establish an Ad Fund. At least 60 days after written notice to Franchisee of the creation of an Ad Fund, Franchisee agrees to make contributions to the Ad Fund in the manner (including payment by automatic debit), and in the amount of the Ad Fund Contribution; provided that the combined amount to be spent as a Local Ad Expenditure, Advertising Fee or Ad Fund Contribution or to an Area Cooperative will not exceed a maximum of 4% of Gross Sales.

(ii) Franchisor will use the Ad Fund (i) to create advertising and marketing materials relating to the System and the Approved Supplies, Products and Services CAFÉ MEXICALI Restaurants sell, including local advertising material, (ii) to arrange for, place and run advertisements, commercials and promotional materials in local, regional and national media, (iii) to pay for public relations services and projects (including sponsorships) intended to enhance the goodwill and public image of the System, (iv) to conduct market research, taste studies, focus groups and advertising tracking studies, and (v) to reimburse Franchisor or its Affiliates (based on allocations calculated by Franchisor's management) (a) for salaries and other overhead expenses that are directly related to projects of a character described above in this Section 10, and (b) for part of the cost of maintaining the CAFÉ MEXICALI Website or Social Media. However, Franchisor will not use Ad Fund contributions to pay for those components of the CAFÉ MEXICALI Website that publicize the franchise program or the sale of franchises.

(iii) Franchisor may provide Franchisee with specimens or proofs of media commercials, advertisements and promotional material (including point-of-purchase materials) funded from the Ad Fund. Franchisee acknowledges that additional copies of such materials will be at Franchisee's sole expense. If Franchisor provides customized copies, it may charge Franchisee a customization fee. In all cases, Franchisee must pay to reproduce, place and run any of these materials in any local advertising campaign that Franchisee pursues independently of the Ad Fund.

(iv) Franchisor reserves the right to allocate Ad Fund contributions to various permitted uses as it sees fit. Franchisor does not guarantee that all CAFÉ MEXICALI Restaurants will receive equal advertising benefits in view of regional differences in media costs, varying degrees of market penetration in different DMAs and other relevant factors. CAFÉ MEXICALI Restaurants that are owned or operated by Franchisor and its Affiliates will contribute to the Ad Fund in the same amounts and manner as similarly situated franchised CAFÉ MEXICALI Restaurants.

(v) Franchisor reserves the right to structure the Ad Fund's organization and administration in ways that, in Franchisor's judgment, most effectively and efficiently accomplish the Ad Fund's objectives. Franchisor may therefore organize or reorganize the Ad Fund as a separate non-profit corporation or other appropriate entity and transfer the Ad Fund's assets to the entity. If Franchisor establishes a separate entity to administer the Ad Fund, Franchisee agrees to become a member of the entity and, in that regard, to sign a participation agreement and take such other steps as Franchisor specifies.

(e) Area Cooperatives.

(i) At the time the DMA in which Franchisee's Restaurant is located encompasses CAFÉ MEXICALI Restaurants operated by at least two franchisees or a combination of franchisees and the Franchisor, then, immediately upon Franchisor's demand and with its advice and assistance concerning organization, administration, contribution waivers or exceptions, budget or other matters, such operators (including Franchisor or its Affiliates, as applicable) will form an Area Cooperative for the purpose of jointly advertising and promoting their CAFÉ MEXICALI Restaurant.

(ii) If, in connection with an Area Cooperative's formation or functioning, its members are unable to reach agreement with respect to any issue concerning organization, administration, contribution waivers or exceptions, budget or other matters that the members cannot resolve within forty-five (45) days, the issue will be referred to Franchisor for resolution. Franchisor's decision with respect to the issue's resolution will be binding on all members of the Area Cooperative.

(iii) Area Cooperative groups must use Franchisor's marketing materials except as otherwise approved in writing by Franchisor. Any marketing materials not created by Franchisor are subject to Franchisor's approval, and must be submitted to, and approved by, Franchisor in advance of their distribution, publication or broadcast.

(iv) Franchisee agrees (i) to join, participate in, and actively support any Area Cooperative established in Franchisee's Restaurant's DMA, and (ii) to make contributions to each Area Cooperative on the payment schedule adopted by the Area Cooperative's members and at the contribution rate approved by Franchisor; provided that the combined amount to be spent as a Local Ad Expenditure, Advertising Fee or Ad Fund Contribution or to an Area Cooperative will not exceed a maximum of 4% of Gross Sales. CAFÉ MEXICALI Restaurants in the DMA that are owned or operated by Franchisor and its Affiliates will contribute to the Area Cooperative in the same amounts and manner as similarly situated franchised CAFÉ MEXICALI Restaurant.

(f) **Reallocation of Advertising Fees and Expenditures.** Franchisor, upon notice to Franchisee, will have the right to require from time to time that any payment or expenditures to be made by Franchisee as a Local Ad Expenditure, Advertising Fee, Ad Fund Contribution, and/or to an Area Cooperative Contribution be reallocated among the Local Ad Expenditure, Advertising Fee, Ad Fund and/or an Area Cooperative, in such proportions as Franchisor may designate. In reviewing and modifying the allocation of amounts, Franchisor will consider the level of advertising expenditures by CAFÉ MEXICALI Restaurants operated by Franchisor or its Affiliates, amounts spent on advertising by competitors, media costs, available marketing resources, population changes, changes in market conditions, the degree of market penetration of the Restaurant generally, and any other factors that Franchisor considers relevant.

11. Concerning the Internet, Customer Information and Privacy Laws.

(a) **Internet Domain Name.** Franchisee and each of the Principals acknowledge that Franchisor or its Affiliates are the lawful, rightful and sole owners of the internet domain names used by Franchisor in connection with the CAFÉ MEXICALI Network and unconditionally disclaim any ownership interest in that phrase or any colorably similar internet domain name (i) such domain names and any domain names that may be confusingly similar and (ii) the words "CAFÉ MEXICALI" and any abbreviation, acronym or variation of such word. Franchisee and the Principals agree not to register any internet domain name in any class or category that contains the words "CAFÉ MEXICALI" or any abbreviation, acronym or variation of those words or letters.

(b) CAFÉ MEXICALI Website.

(i) Franchisor has established and plans to maintain the CAFÉ MEXICALI Website to provide information about the Franchise and the Approved Supplies, Products and Services that CAFÉ MEXICALI Restaurants offer. Franchisor will have control over the CAFÉ MEXICALI Website's design and contents. Franchisor will have no obligation to maintain the CAFÉ MEXICALI Website indefinitely, and may dismantle it (and if dismantled may reinstate it) at any time without liability to Franchisee.

(ii) The CAFÉ MEXICALI Website may include a series of interior pages that identify participating CAFÉ MEXICALI Restaurants by address and telephone number. At Franchisee's request and upon Franchisee's execution of a terms of use agreement in a form provided by Franchisor, Franchisor will, technology permitting, include at the CAFÉ MEXICALI Website one or a series of interior pages dedicated to information about Franchisee's Restaurant. Franchisee may propose the content of the page(s), but such content must be developed by Franchisor or its webmaster at Franchisee's expense, with a template that Franchisor provides and will be subject to Franchisor approval prior to posting as to form, content and programming quality. Franchisee will not have the capability to modify its page(s) except in coordination with Franchisor's webmaster and in compliance with the Brand Standards. Franchisor can remove references

to Franchisee's Restaurant from the CAFÉ MEXICALI Website with or without notice to Franchisee if Franchisee is not then in current compliance with this Agreement.

(c) **Social Media.** Unless otherwise expressly agreed, neither Franchisee nor any of the Principals, employees or agents may use the Marks or otherwise mention the CAFÉ MEXICALI Restaurants, CAFÉ MEXICALI Network or System in connection with any business or personal uses of Social Media. In all cases, Franchisor has sole discretion and control over any profiles using or relating to the Marks, CAFÉ MEXICALI Restaurants, CAFÉ MEXICALI Network or System, or that display the Marks, that are maintained or posted on Social Media. Franchisor may (but need not) establish guidelines pursuant to which Franchisee may establish profiles or otherwise establish a presence on Social Media. In such event, Franchisee will comply with the standards, protocols and restrictions that Franchisor imposes from time to time on such use, and Franchisor will have the right to revoke any prior permissions as it deems appropriate due to any violations thereof. Franchisor may use part of the Advertising Fee monies it collects under this Agreement to pay or reimburse the costs associated with the development, maintenance and update of profiles on Social Media. In all cases, Franchisee will indemnify the Indemnitees with respect to any Losses and Expenses incurred by the Indemnitees arising from third-party claims with respect to any such authorized or unauthorized use of Social Media.

(d) **CAFÉ MEXICALI Intranet.**

(i) Franchisor may, at its option, establish and maintain a so-called intranet through which members of the CAFÉ MEXICALI Franchise Network may communicate with each other and through which Franchisor may disseminate updates and supplements to the Brand Standards Manual and other information. Franchisor will have no obligation to maintain the Intranet indefinitely, and may dismantle it at any time without liability to Franchisee.

(ii) Franchisor may establish policies and procedures for the Intranet's use, and Franchisee will adhere to any such policies and procedures as a condition to participation and use of the Intranet.

(e) **Customer Information.** All Customer Information that Franchisor obtains from Franchisee and that Franchisee collects from Restaurant Customers and all revenues Franchisor derives from such Customer Information will be Franchisor's property and Franchisor's Confidential Information that Franchisor may use for any reason without compensation to Franchisee, including making a financial performance representation in Franchisor's franchise disclosure documents. Franchisee assigns and will be deemed to have assigned all rights in Customer Information to Franchisor. Franchisee will provide copies of all Customer Information to Franchisor upon request. At Franchisee's sole risk and responsibility, Franchisor grants Franchisee the right to use such Customer Information that Franchisee acquires from Customers and other third parties solely in connection with operating the Restaurant at any time during the Term of this Agreement, to the extent that Franchisee's use is permitted by applicable law. Upon expiration of the Term, all copies of Customer Information must be returned to Franchisor and removed from Franchisee's Technology and Information Systems.

(f) **Privacy and Data Protection.** Franchisee will take all necessary actions to independently: (i) learn and comply with all applicable Privacy Laws; (ii) learn and comply with the Brand Standards as they relate to Privacy Laws and the privacy and security of Customer Information; (iii) learn and comply with any posted privacy policy and other representations made to the individual identified by Customer Information that Franchisee processes, and communicate any limitations required thereby to any authorized receiving party in compliance with all Privacy Laws; (iv) refrain from any action or inaction that could cause Franchisor or its Affiliates to breach any Privacy Laws; (v) maintain, and cause adherence by Franchisee's personnel to all reasonable physical, technical and administrative safeguards and related policies for Customer Information that is in Franchisee's possession or control in order to protect such Customer Information from unauthorized processing, destruction, modification, or use that would violate this Agreement, the Brand Standards (which may include a non-exhaustive list of the minimum types of policies

that must be implemented) or any Privacy Law; (vi) do and execute, or arrange to be done and executed, each act, document and thing Franchisor deems necessary in its business judgment to keep Franchisor and its Affiliates in compliance with the Privacy Laws; and (vii) immediately report to Franchisor the breach of any requirements in this Agreement or the Brand Standards regarding Customer Information or any Privacy Law, or the theft or loss (or any apparent or alleged theft or loss) of Customer Information (other than the Customer Information of Franchisee's own officers, directors, shareholders, employees or service providers). Franchisee will, upon request, provide Franchisor with information, reports, and the results of any audits performed regarding Franchisee's data security policies, security procedures, or security technical controls related to Customer Information. Franchisee will, upon Franchisor's request, provide Franchisor or its representatives with access to Franchisee's Technology and Information Systems, records, processes and practices that involve processing of Customer Information in order to mitigate a security incident or so that an audit may be conducted. Franchisee will indemnify, defend and hold Franchisor and its Affiliates, and their respective officers, directors, shareholders, members, managers, partners, employees, servants, independent contractors, attorneys, representatives, agents and associates harmless in connection with any claim or action arising out of or relating to: (i) any theft, loss or misuse (including any apparently or alleged theft, loss or misuse) of Customer Information; and (ii) Franchisee's breach of any of the terms, conditions or obligations relating to data security, Privacy Laws or Customer Information set forth in this Agreement. Franchisee will immediately notify Franchisor upon discovering or otherwise learning of any theft, loss or misuse of Customer Information. Franchisee will, at Franchisor's direction, but at Franchisee's sole expense, (i) undertake remediation efforts on its own in concert with Franchisor's directions, (ii) reasonably cooperate with any remediation efforts undertaken by Franchisor and (iii) undertake efforts to prevent the recurrence of the same type of incident, including by paying for any remediation and post-breach monitoring process deemed appropriate by Franchisor. Franchisee will not make any public comment regarding and data security incident without Franchisor's approval. Any notifications to the media Customers regarding theft or loss of Customer Information will be handled exclusively by Franchisor at Franchisor's election and neither Franchisee nor its personnel may contact Customers relating to such theft or loss unless Franchisee is under a legal obligation to do so, in which case (i) Franchisee must notify Franchisor in writing promptly after concluding that Franchisee has the legal obligation to notify any Customers and (ii) Franchisee will limit the notices to Customers to those required by the legal obligation or as pre-approved by Franchisor. Franchisee will reasonably cooperate in connection with any notices to Customers regarding theft or loss and Franchisee will assist with sending such notices upon request by Franchisor.

12. Term and Successor Agreement.

(a) The Franchise will continue for the Term, subject to earlier termination in accordance with the terms and conditions of this Agreement.

(b) If, upon the expiration of the Term, Franchisee is in full compliance with Franchisee's agreements and obligations under this Agreement and each other franchise agreement or other agreement with Franchisor and its Affiliates (if any), then Franchisee will have the option to enter into up to two consecutive successor Franchise Agreements for a term of 10 years each by (1) notifying Franchisor in writing of Franchisee's intention to enter into such successor agreement not earlier than 240 days nor later than 180 days before the then-current Franchise Agreement's scheduled expiration date, (2) signing Franchisor's then-current successor form of Franchise Agreement (which will define Franchisee's subsequent successor rights and the terms of which may be materially different from this agreement, including new and higher fees, rights, or obligations), (3) executing (and causing all Principals to execute) a release of all claims against Franchisor, its Affiliates, and their respective officers, directors, shareholders, partners, employees, and other related parties in such form prescribed by Franchisor, (4) not later than 180 days before the then-current Franchise Agreement's scheduled expiration date, completing the remodeling, refurbishing and modernizing of Franchisee's Restaurant, including its leasehold improvements, furniture, fixtures, equipment, signage, Trade Dress, Technology and Information Systems and promotional supplies, and taking any other actions otherwise required by Franchisor to bring the Restaurant into full compliance

with the Brand Standards Franchisor then stipulates, subject to Franchisee's prior remodel activities and any specific remodel limitations set forth in this Agreement, (5) paying the Renewal Fee, (6) completing to Franchisor's satisfaction such additional training of Franchisee and its employees as Franchisor deems necessary, (7) satisfying all monetary obligations owed to Franchisor and its Affiliates under, or in connection with, this Agreement, and (8) upon request by Franchisor, presenting satisfactory evidence that Franchisee has the right to remain in possession of the Restaurant premises for the duration of the successor term.

(c) Franchisee's failure or refusal to comply with any of the conditions to execute a successor Franchise Agreement stated in this Agreement will be interpreted as a conclusive, irrevocable election on Franchisee's part not to enter into a successor Franchise Agreement.

(d) The relationship between Franchisor and Franchisee during the successive period(s) will be governed by the provisions of Franchisor's then current successor Franchise Agreement, including those pertaining to Continuing Fees due under this Agreement, advertising, competitive protection and Brand Standards. Whether or not Franchisee actually signs a then-current successor Franchise Agreement, Franchisee will be conclusively presumed to have assented to and to have agreed to be bound by its terms by continuing to operate Franchisee's Restaurant for one day past the Term's expiration date.

(e) If Franchisee does not qualify to enter into a successor Franchise Agreement, or elects not to do so, immediately after expiration of the Term, Franchisee must comply with the post-termination requirements of this Agreement, and Franchisor will have the post-termination rights and remedies provided in this Agreement.

13. Use of Intellectual Property.

(a) **Marks and Copyrighted Materials.** Franchisee acknowledges that Franchisor is authorized by law to prevent the unauthorized use of the Marks, to control the quality of goods and services associated with the Marks, and to control the copying and distribution of the Copyrighted Materials. Recognizing the importance to Franchisor of the protection and preservation of the Marks and Copyrighted Materials, Franchisee agrees to perform and abide by the following provisions:

(i) Franchisee acknowledges that Franchisor or its Affiliate is the lawful and rightful owner of each and all of the Marks and the Copyrighted Materials, that Franchisor has the right to use the Marks and to license to Franchisee the right to use the Marks and Copyrighted Materials in accordance with this Agreement, that Franchisee's interest in the Marks and the Copyrighted Materials is solely that of a Franchisee, and that all uses of the Marks and the Copyrighted Materials by Franchisee will inure to the benefit of Franchisor and its Affiliate. Franchisee unconditionally disclaims any ownership interest in any of the Marks and the Copyrighted Materials.

(ii) Franchisee will not use the term "Café Mexicali", any Marks, or any abbreviation, acronym or variation of them as part of its name or as part of the name of any Business Entity in which Franchisee owns or holds an interest. However, Franchisee may, if required by law, file an assumed name or fictitious name certificate to the effect that Franchisee is operating Franchisee's Restaurant under a trade name that includes the CAFÉ MEXICALI trademark.

(iii) Franchisee will not use any of the Marks or the Copyrighted Materials in connection with the advertisement, promotion, sale or distribution of any Approved Supplies, Products and Services or other products or services not listed in Franchisor's authorized list.

(iv) Franchisee will not copy, distribute or otherwise disseminate any of the Copyrighted Materials in violation of the restrictions and limitations imposed by this Agreement.

(v) Franchisee will not use any of the Marks or the Copyrighted Materials in connection with the development or operation of any business (other than Franchisee's Restaurant) until

Franchisor and Franchisee have both signed a Franchise Agreement for the additional CAFÉ MEXICALI Restaurant.

(vi) Franchisee will (i) adopt and use all additional trade names, trademarks, brand names, copyrighted materials, slogans, commercial symbols and logos Franchisor develops from time to time, (ii) use all the Marks in the precise form Franchisor prescribes, and (iii) observe Franchisor directions regarding the use, copying and distribution of the Copyrighted Materials, the presentation of the Marks and the manner of the Marks' display and use. Franchisee will promptly abandon and discontinue the use of any Mark or Copyrighted Materials as directed by Franchisor for any reason. Franchisee will submit to Franchisor all advertisements and promotional materials not furnished by Franchisor for its approval prior to use and will use no such item unless and until Franchisor provides its approval thereof.

(vii) Franchisee will not use any of the Marks on, or in association with, any Approved Supplies, Products and Services or other products or services other than in compliance with the Brand Standards, and with such other quality control measures that Franchisor may adopt from time to time to promote and defend the goodwill associated with the Marks.

(viii) Franchisee will not knowingly permit, and will promptly report to Franchisor, any apparently unauthorized use of a Mark and any apparently unauthorized use or copying of any Copyrighted Materials by any Person, or the use by any Person of a trade name, trademark, service mark or symbol that might be construed as an infringement of any Mark or as unfair competition or passing-off at common law, and will actively cooperate with the Franchisor in the investigation of infringement claims and in discovery and trial proceedings related to infringement actions. Franchisor reserves the right to make the final determination of infringement or other unlawful use, to conduct all legal proceedings relating to the Marks and the Copyrighted Materials, and to compromise or settle all infringement claims.

(ix) At no time will Franchisee make any written or oral admission that any Marks or any of Franchisor's copyrights is in any way invalid or infringes the rights of any Person or is open to any other form of attack, but will promptly notify Franchisor of any allegation of invalidity or infringement of which Franchisee becomes aware. Franchisor reserves the right to defend its rights in the Marks and the Copyrighted Materials vigorously, but does not warrant to Franchisee that Franchisor's ownership of any of them is incontestable or that they do not infringe or conflict with the rights of any third-party, nor that Franchisor will defend Franchisee in the event of such infringement allegation.

(x) All goodwill associated with the Marks and Copyrighted Materials will inure to Franchisor. Further, Franchisee will immediately discontinue all further uses of the Marks and Copyrighted Materials and will take appropriate action to remove the Marks from the premises in which Franchisee's Restaurant is located, to cancel any advertising relating to Franchisee's use of the Marks or the Copyrighted Materials, including social media postings, yellow pages listings, and to cancel or withdraw any assumed or fictitious name filings covering Franchisee's use of Franchisor's trade name. Franchisee acknowledges and agrees that failure or refusal to comply fully with these requirements will constitute willful trademark and copyright infringement.

(b) **The System, Trade Secrets and Brand Standards Manual.** Franchisee and the Principals acknowledge that the System and the Trade Secrets belong exclusively to Franchisor and its Affiliates and that, as between Franchisor, Franchisee and the Principals, the ideas and information in the Brand Standards Manual are Franchisor's or Franchisor's Affiliate's sole and exclusive property. Franchisee and the Principals further acknowledge that the unauthorized disclosure or use of any confidential element of the System, any Trade Secret or any other information the Brand Standards Manual contains may adversely affect the business, competitive position and goodwill of Franchisor and its Franchisees. Accordingly, Franchisee and the Principals agree to perform and abide by the following provisions and restrictions, each of which will survive the expiration or termination of this Agreement and will be perpetually binding upon Franchisee.

(i) Franchisee and the Principals will hold the elements of the System, the Trade Secrets and the contents of the Brand Standards Manual in strict confidence, will not disclose any Trade Secret or any operating or management procedure to any Person other than the Controlling Principal and bona fide employees of Franchisee's Restaurant to whom such disclosure is necessary in relation to their job duties, and will instruct and routinely remind Franchisee's employees and Principals that the System, the Trade Secrets and the contents of the Brand Standards Manual are confidential and may not be disclosed or appropriated. Franchisee and the Principals will not disclose any element of the System, any of the Trade Secrets or the contents of the Brand Standards Manual, or make the Brand Standards Manual available, to any other Principal, shareholder, director, officer, partner, member or manager of Franchisee other than its Controlling Principal and other senior executive officers, if any, who are actively and regularly involved in Franchisee's Restaurant's management.

(ii) Franchisee and the Principals will not use any element of the System, any of the Trade Secrets or the operating, management or marketing procedures the Brand Standards Manual contains in connection with the operation of any establishment or enterprise other than Franchisee's Restaurant, and will promptly discontinue use of the System, the Trade Secrets and the operating, management and marketing procedures contained in the Brand Standards Manual upon the expiration or termination of the Franchise.

(iii) Franchisee and the Principals will not, without Franchisor's prior written consent, copy or permit any Person to copy or reproduce any part of the Brand Standards Manual and any other printed, graphic or audio/visual item designated by Franchisor as containing Trade Secrets or otherwise permit their use or inspection by any Person other than Franchisee and bona fide employees of Franchisee's Restaurant to whom such disclosure is necessary in relation to their job duties, and authorized Franchisor representatives.

(iv) Franchisee and the Principals acknowledge and agree that the version of the Brand Standards Manual on file in Franchisor's offices constitutes the standard, official version for purposes of resolving any question or dispute concerning the Brand Standards Manual's contents.

(v) Upon request by Franchisor, Franchisee will obtain from the General Manager and each of Franchisee's other managerial level employees of the Restaurant a Confidentiality Agreement and Covenant Not to Compete in substantially the form attached hereto as Exhibit B, or such other form as Franchisor may designate, that is valid and enforceable under the laws of the state in which Franchisee's Restaurant operates and that imposes the restrictions and limitations of this Section on each such individual for the longest period applicable law permits; provided that only those with a direct or indirect ownership interest in Franchisee will be required to sign Exhibit B with a Covenant Not To Compete. Each Confidentiality Agreement and Covenant Not to Compete will, at Franchisor's option, designate Franchisor as a party to the Confidentiality Agreement and Covenant Not to Compete or as a third-party beneficiary and will entitle Franchisor to enforce its provisions directly against the signatory General Manager or other managerial level employee.

(vi) Franchisee will keep the Brand Standards Manual and any other printed, graphic or audio/visual item designated by Franchisor as containing Trade Secrets in a safe and secure location at all times and will promptly return them to Franchisor upon the expiration or termination of the Franchise. Franchisee will be provided on loan one copy of the Brand Standards Manual, either in hardcopy or digitally. If Franchisee is provided on loan a hardcopy of the Brand Standards Manual and such hardcopy is lost, destroyed or significantly damaged, Franchisee agrees to pay a replacement fee of \$1,000.

(vii) Franchisee and the Principals expressly acknowledge that all training materials (regardless of format) and all computer software and other programs developed by Franchisor or in accordance with the Brand Standards contain information, embody procedures or facilitate business practices that are proprietary to Franchisor and fall within the parameters of its Trade Secrets.

(viii) Franchisor reserves the right and privilege, at its sole and absolute discretion, to vary the System and Brand Standards to accommodate special needs of Franchisee, or those of any other franchisee, based upon the peculiarities of a particular site or location, density of population, business potential, population of trade area, existing business practices, requirements of local law or local custom, or any other condition that Franchisor deems to be of importance to the successful operation of such franchisee's business. Further, Franchisor may periodically allow certain franchisees to depart from normal Brand Standards and routines in certain respects in order to experiment with or test new Approved Supplies, Products and Services or other products or services, leasehold improvements, furniture, fixtures, equipment, trade dress and signage and the like. In no event will such variance, or such testing, be deemed a waiver of any of Franchisor's rights, or an excuse from performance of any of Franchisee's duties hereunder. Franchisor will not under any circumstances be required to grant any variance to Franchisee. Nothing contained in this Section is intended to confer on Franchisee any right to compel Franchisor to grant a variance to Franchisee or to grant, withdraw or modify any variance given to any other franchisee.

(ix) Franchisee acknowledges and agrees that in no case will the System or Brand Standards include any personnel policies or procedures or security-related policies or procedures that Franchisor (at its option) may make available to Franchisee in the Brand Standards Manual or otherwise for Franchisee's optional use. Franchisee will determine to what extent, if any, personnel or security-related policies and procedures might apply to operations at the Restaurant. Franchisor neither dictates nor controls labor or employment matters for franchisees and their employees and Franchisor is not responsible for the safety and security of the Restaurant employees or patrons.

14. Confidentiality; Covenant Against Competition.

(a) Franchisee and the Principals acknowledge that the System and the Trade Secrets belong exclusively to Franchisor and its Affiliates and that, as between Franchisor and its Affiliates, Franchisee and the Principals, the ideas and information in the Brand Standards Manual are Franchisor's and its Affiliates sole and exclusive property. Franchisee and the Principals further acknowledge that the unauthorized disclosure or use of any confidential element of the System, any Trade Secret or any other information the Brand Standards Manual contains may adversely affect the business, competitive position and goodwill of Franchisor and its franchisees. Accordingly, Franchisee and the Principals will hold the elements of the System, the Trade Secrets and the contents of the Brand Standards Manual in strict confidence, will not disclose any Trade Secret or any operating or management procedure to any Person other than the bona fide employees to whom such disclosure is necessary in relation to their job duties, and will instruct and routinely remind Franchisee's employees that the System, the Trade Secrets and the contents of the Brand Standards Manual are confidential and may not be disclosed or appropriated. The obligations of Franchisee and the Principals relating to the System, any Trade Secret and any other information contained in the Brand Standards Manual will survive the expiration or termination of this Agreement and will be perpetually binding upon Franchisee and the Principals.

(b) In consideration of Franchisor's granting franchise rights to Franchisee and disclosing to Franchisee the System and other Trade Secrets, Franchisee and the Principals covenant and agree that, during the Term, Franchisee and the Principals will not own, operate, or develop, directly or indirectly, or accept employment by or hold an Ownership Interest in any Competing Business, except as a Franchisee of Franchisor, which is located (i) at the Restaurant Address; or (ii) within the Restaurant's Territory, or (iii) within 20 miles of the perimeter of the Territory, or (iv) within 20 miles of the perimeter of the "Territory" of any other CAFÉ MEXICALI Restaurant; or (v) within the United States of America; or (vi) within the world.

(c) In addition, Franchisee and the Principals covenant and agree that, for a period of two years after the expiration or termination of this Agreement (or for Principals, after such person ceases to be a Principal), Franchisee and the Principals will not own, operate, or develop, directly or indirectly, or accept employment by or hold an Ownership Interest in any Competing Business, except as a Franchisee of

Franchisor, which is located (i) at the former Restaurant Address; or (ii) within the former Restaurant's Territory, or (iii) within 20 miles of the perimeter of the former Restaurant's Territory, or (iv) within 20 miles of the perimeter of the "Territory" of any other CAFÉ MEXICALI Restaurant. For purposes of calculating the duration of the two-year period, any time during which Franchisee or the Principals (as applicable) are in violation or breach of the covenant will be excluded.

(d) Franchisee and the Principals acknowledge that Franchisee's and the Principals' covenant not to compete is reasonable and necessary to protect the business and goodwill of the CAFÉ MEXICALI Network and to avoid misappropriation or other unauthorized use of the System and Franchisor's other Trade Secrets. Franchisee and the Principals acknowledge and confirm that Franchisee and the Principals possess the education, training and experience necessary to earn a reasonable livelihood apart from operating or developing a Competing Business or other similar business.

(e) The parties agree that the foregoing covenants will be construed as independent of any other covenant or provision of this Agreement. If all or any portion of a covenant in this Section is held unreasonable or unenforceable by a court or agency having valid jurisdiction in an unappealed final decision to which Franchisor is a party, Franchisee and the Principals expressly agree to be bound by any lesser covenant subsumed within the terms of such covenant that imposes the maximum duty permitted by law, as if the resulting covenant were separately stated in and made a part of this Section.

(f) Franchisee and the Principals understand and acknowledge that Franchisor will have the right to reduce the scope of any covenant, or any portion thereof, without their consent, effective immediately upon notice to Franchisee; and Franchisee and the Principals agree that they will comply forthwith with any covenant as so modified, which will be fully enforceable in all cases.

(g) Franchisee and the Principals expressly agree that the existence of any claims that any of them may have against Franchisor, whether or not arising from this Agreement, shall not constitute a defense to the enforcement by Franchisor of the covenants in this Section. Franchisee and the Principals agree to pay all costs and expenses (including reasonable attorneys' fees) incurred by Franchisor in connection with the enforcement of this Section against any of them.

(h) Franchisee and the Principals further acknowledge that a violation of the terms of this Section 14 would result in irreparable injury to Franchisor for which no adequate remedy at law may be available, and Franchisee and the Principals accordingly consent on their behalf to the issuance of an injunction prohibiting any conduct by any of them in violation of the terms of this Section.

(i) At Franchisor's request, Franchisee shall require and obtain execution of covenants similar to those set forth in this Section (including covenants applicable upon termination of a Person's relationship with Licensee) from each and every Principal and any other Person who has received or shall receive training or confidential information from Franchisor. The covenants required by this Section shall be substantially in the form contained in Exhibits B and C. Failure by Franchisee to obtain execution of agreements containing the covenants required by this Section shall constitute an Event of Default under Section 16.

15. Transfers.

(a) **Transfer by Franchisor.** Franchisor and any holder of an Ownership Interest in Franchisor may voluntarily, involuntarily, directly or indirectly sell, assign, transfer, license, sublicense, sublease, collaterally assign, grant a security, collateral or conditional interest, intervivos transfer, testamentary disposition or other disposition of all or any part of its rights or obligations under this Agreement or any Ownership Interest in Franchisor to any Person without Franchisee's consent. Specifically, and without limitation to the foregoing, Franchisor may sell its assets, Marks or the System to a third-party; may offer its securities privately or publicly; may merge, spin-off, acquire other Business Entities, or be acquired by another Business Entity; may undertake a refinancing, recapitalization, leveraged buyout, or other economic or financial restructuring; and with regard to any or all of the above sales, assignments, and dispositions, Franchisee expressly and specifically waives any claims, demands, or damages against Franchisor arising

from or related to the transfer of the Marks (or any variation thereof) or the System from Franchisor to any other party. If Franchisor assigns its rights in this Agreement, such assignment will constitute a novation as to Franchisor and Franchisor will be released from all further liability to Franchisee under this Agreement after the effective date of such transfer, and the transferee will be liable to Franchisee as if it was the original party to this Agreement. Nothing contained in this Agreement requires Franchisor to offer any products or services, whether or not bearing the Marks, to Franchisee if Franchisor assigns its rights in this Agreement.

(b) **Limitations on Franchisee Transfer.** Franchisee and the Principals acknowledge that the integrity of the Franchise and the stability of the CAFÉ MEXICALI Network depend on the business qualifications, financial capabilities, honesty and integrity of Franchisor's developers and franchisees. Franchisee and the Principals further acknowledge that Franchisor's lack of opportunity to evaluate and approve each potential franchisee's qualifications and the terms of each proposed Transfer could irreparably damage the System. Consequently, Franchisee and the Principals agree not to effectuate a Transfer, except as permitted by this Section, and in no event will Franchisee or any Principal attempt to effectuate any Transfer, without Franchisor's prior written consent. Any Transfer or attempted Transfer lacking Franchisor's prior written consent or that otherwise violates the restrictions in this Section will be null and void, will be ineffective against Franchisor and will constitute a material default under this Agreement.

(c) **Conditions to Voluntary Transfer of Rights.** Any Transfer by Franchisee or any Principal will be subject to Franchisor's prior written consent, which may be conditioned on, among other things, any or all of the following:

(i) At the time of Transfer, Franchisee, the Principals and their respective Affiliates are in full compliance with their respective obligations under this Agreement and all other agreements with Franchisor and its Affiliates, including payment of all monetary obligations due Franchisor and its Affiliates, and Franchisee has no overdue payment obligations owed to its suppliers, landlord, and any other third parties related to the Restaurant and its operations.

(ii) If the proposed Transfer involves the complete disposition of the Franchise, Franchisee relinquishes the Franchise and related rights under this Agreement in writing.

(iii) If Franchisee is exiting the CAFÉ MEXICALI Network, Franchisee returns the Brand Standards Manual and all Copyrighted Materials to Franchisor, including the Brand Standards.

(iv) The transferee meets Franchisor's criteria for qualifying as a new Franchisee, including having no existing relationship with a Competing Business.

(v) Franchisee furnishes Franchisor a copy of the contract of sale, including price and payment terms, and Franchisor determines that the transferee will be able to satisfy any debt obligations to Franchisee and still derive a reasonable profit from Franchisee's Restaurant's operation.

(vi) If a Transfer of Control over Franchisee is contemplated, the transferee executes then current forms of Franchise Agreement (which will limit the term of the transferee's Franchise to the unexpired Term of Franchisee's Franchise and which will supersede the terms of this Agreement) and other collateral agreements Franchisor may then require.

(vii) The transferee upgrades Franchisee's Restaurant to meet Franchisor's then-current Brand Standards for new CAFÉ MEXICALI Restaurants, including the furniture, fixtures, equipment, Trade Dress, Technology and Information Systems and promotional supplies, subject to Franchisee's prior Brand Standards satisfaction activities.

(viii) The transferee and its Affiliates provides Franchisor an indemnification, waiver, and release with respect to liability for any financial data, earnings claims, representations and other information Franchisee or its representatives provided the transferee or arising from the agreement between Franchisee and transferee.

(ix) Each new Principal designated by Franchisor executes a Personal Guaranty and Principals' Undertaking.

(x) The transferee and one or more of transferee's key management personnel satisfactorily complete Franchisor's training program.

(xi) Franchisee pays a Transfer Fee to Franchisor.

(xii) Franchisee, the Principals and Franchisee's transferees must provide to Franchisor an unconditional, general release of all claims any of them may have against Franchisor, its Affiliates, and their respective officers, directors, shareholders, partners, employees, and related parties.

(xiii) If applicable, the transferee must hold or be immediately eligible to hold a Liquor License to operate the Restaurant.

(d) **Special Transfers.**

(i) If Franchisee is an individual Person or multiple individual Persons, then such individual Person(s) may apply to Franchisor to transfer the Franchise and this Agreement to a Business Entity that is solely owned by such individual Person or multiple individual Persons and formed solely for the purpose of holding development rights for and/or operating the Restaurant, and Franchisor will waive its right of first refusal and consent to such transfer so long as Franchisee: (i) pays the applicable Transfer Fee, (ii) provides Franchisor such documentation and information concerning the Business Entity and the resulting ownership of Franchisee as Franchisor may request, and (iii) the existing and New Franchisee and such Principals designated by Franchisor sign the new, current form of franchise agreement or an amendment to this Agreement, a transfer agreement and consent and/or Personal Guaranty and Principals' Undertakings, and a release in favor of Franchisor and its related Affiliates and personnel, as deemed appropriate by Franchisor in such form provided by Franchisor.

(ii) So long as the Controlling Principal and the ownership of your Controlling Interest will not change, Franchisor will consent to Transfers among Franchisee's original Principals and waive its right of first refusal upon its receipt of the Transfer Fee, such documentation and information concerning the Transfer and the resulting ownership of Franchisee as Franchisor may request. The required documentation will include, without limitation, a Personal Guaranty and Principals' Undertaking signed by each Principal not having previously executed such documents and a release in favor of Franchisor and its related Affiliates and personnel, as deemed appropriate by Franchisor in such form provided by Franchisor.

(iii) Neither Franchisee nor any of its Affiliates or Principals may engage in a Securities Offering without the prior written consent of Franchisor (whether or not Franchisor's consent is otherwise required under this Section with respect to such Transfer). Franchisor's consent may be withheld for any reason, and may be conditioned upon its verification that the Prospectus does state or imply (by use of the Marks or otherwise) that Franchisor is sponsoring or otherwise participating in the Securities Offering or that Franchisor will receive any part of the proceeds from the Securities Offering. To seek Franchisor's consent, Franchisee must submit a complete copy of the Prospectus to Franchisor prior to the time the Prospectus is filed with a government agency or official or, if an exempt Securities Offering is contemplated, prior to the delivery of the Prospectus to any prospective investor. Franchisor will have 30 days after its receipt of the Prospectus either to provide its consent, withhold its consent or advise Franchisee of the deficiencies that must be corrected prior to Franchisor's providing its consent. Franchisor will have no obligation to provide its consent, including unless and until all deficiencies it notes have been corrected. Any consent by Franchisor will not constitute an endorsement or ratification of the offering or the prospectus, either express or implied. Franchisee and the other participants in a Securities Offering will fully indemnify Franchisor in connection with the offering. For each proposed Securities Offering, Franchisee will reimburse Franchisor for its costs and expenses associated with reviewing the proposed offering, including, without limitation, legal and accounting fees and salaries of Franchisor's personnel; provided that Franchisor may request an advance on such costs and expenses before initiating its review.

(iv) Franchisee may grant a security interest in this Agreement or the Franchise to the limited extent permitted by Section 9-408 of the Uniform Commercial Code. Any such security interest may only attach to an interest in the proceeds of Franchisee's Restaurant's operations and may not under any circumstances entitle or permit the secured party to take possession of or operate Franchisee's Restaurant or to Transfer Franchisee's interest in the Franchise without Franchisor's express prior written consent. The grant of a security interest in a manner consistent with this Section will not be subject to the Transfer prohibitions in this Agreement.

(e) **Right of First Refusal.**

(i) If Franchisee or the Principal(s) wishes to effectuate a Transfer that will affect a direct or indirect change in Control of Franchisee, pursuant to any *bona fide* offer received from a third-party to purchase that interest, then the proposed seller will promptly notify Franchisor in writing of the offer, and will provide any additional information and documentation relating to the offer that Franchisor requires. Franchisor will have the option, exercisable within 45 days after receipt of all written documentation requested by Franchisor describing the terms of the offer, to send written notice to the seller that Franchisor intends to purchase the seller's interest on the same terms and conditions offered by the third-party.

(ii) If an offer from a third-party provides for payment of consideration other than cash, Franchisor may elect to purchase the interest proposed to be sold for the cash equivalent. If the parties cannot agree within a reasonable time on the cash equivalent of the non-cash part of the offer, then the cash equivalent will be determined by two appraisers, with each party selecting one appraiser, and the average of their determinations constituting the binding valuation. In the event of an appraisal under this provision, each party will bear its own legal and other costs and will split the appraisal fees equally.

(iii) If Franchisor elects to purchase the seller's interest, closing on the purchase will occur no later than 60 days after the date Franchisor gives notice to the seller of the election to purchase, provided that Franchisor has received all necessary permits and approvals, or on such other date as the parties agree in writing. If Franchisor exercises its right of first refusal, it may set off all amounts due from Franchisee or any of its Affiliates (including, if applicable, all fees for any appraiser due from Franchisee) against any payment for the interest to be purchased.

(iv) A decision of the Franchisor not to exercise the right of first refusal granted by this Section will not constitute a waiver of any other provision of this Agreement, including all of the Transfer requirements of this Section, with respect to a proposed Transfer. If Franchisor does not exercise its right of first refusal on any particular offer, any material change in the terms of the offer before closing will constitute a new offer subject to the same right of first refusal by Franchisor as in the case of the initial offer. Failure to comply with the provisions of this Section will constitute a material event of default under this Agreement.

(f) **Purchase Upon Franchisee's Death or Disability.**

(i) This Section applies only if (i) an individual Franchisee or a Principal owning a Controlling Interest in a Business Entity Franchisee dies or becomes Permanently Disabled during the Term, and (ii) the death or Permanent Disability results in a change in executive-level responsibility for managing Franchisee's Restaurant.

(ii) During the first 120 days after Franchisor receives notice of the death or Permanent Disability, Franchisor will evaluate the new management's willingness and ability to operate Franchisee's Restaurant in compliance with this Agreement. By the end of the 120-day evaluation period, Franchisor will decide whether the new management is qualified to manage Franchisee's Restaurant and will notify management of its decision. As conditions to continuing the Franchise relationship, each Principal must furnish Franchisor a signed Personal Guaranty and Principals' Undertaking and any deficiency in Franchisee's compliance with the requirements of this Agreement must be cured. Further, Franchisor may require management to attend and satisfactorily complete Franchisor's initial training program.

(iii) If any of the conditions stated in this Section are not satisfied, or if Franchisor decides that the new management has not adequately demonstrated its business qualifications or commitment to the Franchise relationship, the remaining Principals will have 120 days after delivery of Franchisor's notice to (i) locate new management that is acceptable to Franchisor, or (ii) sign a binding contract to sell the Franchise or a Controlling Interest in the Franchise to a buyer approved by Franchisor in accordance with the requirements of this Agreement. The proposed sale will be subject to Franchisor's right of first refusal.

(iv) If any of the Principals fail to sign a binding contract of sale before the 120-day selling period expires, or if a contract is signed, but the proposed sale is not concluded within 30 days after Franchisor relinquishes its right of first refusal, Franchisor will have an additional option during the next 30 days to purchase the interest the deceased or Permanently Disabled person held at the date of death or Permanent Disability. The purchase price for the interest will be its fair market value, determined through negotiations or by appraisal. Unless otherwise agreed by the parties, the purchase price will be payable in cash at closing. If Franchisor delivers written notice of its intention to exercise the option within the 30-day period, the option will be considered effectively exercised whether or not the purchase is actually consummated within the 30-day period.

(v) If the parties fail to agree on a purchase price for the interest within 21 days after delivery of Franchisor's notice, the purchase price will be determined by two appraisers in accordance with the appraisal process specified in the right of first refusal provision.

(g) **Involuntary Transfers.** No involuntary Transfer or partitioning of Franchisee's or the Principals' interest in the Franchise or under this Agreement, whether in connection with a bankruptcy, foreclosure, divorce or other proceeding, will be effective against Franchisor unless and until (1) the transferee furnishes Franchisor a signed guaranty under which the transferee agrees to be jointly and severally liable for the payment of Franchisee's monetary obligations under this Agreement, whether or not such obligations are then delinquent, (2) the transferee agrees in writing to be personally bound by the confidentiality provisions and restrictive covenants in this Agreement, and (3) the Transfer encompasses Franchisee's and the Principals' total interest in the Franchise and under this Agreement, irrevocably designates and appoints Franchisee to be the transferee's agent and attorney-in-fact with whom Franchisor may deal for all purposes expressed in or contemplated by this Agreement.

(h) **Waiver of Interference Claims.** Franchisee acknowledges that Franchisor has legitimate reasons to evaluate the qualifications of potential transferees and to analyze and critique the terms of their purchase contracts with Franchisee. Franchisee also acknowledges that Franchisor's contact with potential transferees for the purpose of protecting its business interests will not constitute improper or unlawful conduct. Franchisee expressly authorizes Franchisor to investigate any potential transferee's qualifications, to analyze and critique the proposed purchase terms with the transferee, and to withhold consent to economically questionable transactions. Franchisee waives any claim that action Franchisor takes in relation to a proposed transfer to protect its business interests constitutes tortious interference with contractual or business relationships.

16. Default.

(a) If any Event of Default occurs, Franchisee will be in default under this Agreement, whether or not Franchisor gives notice of the default. Franchisor's failure to take prompt action with respect to a particular Event of Default will not constitute a waiver of that or any subsequent Event of Default.

(b) Except as otherwise described in this Section, the following are Events of Default that Franchisee may cure by taking appropriate remedial action within the applicable cure period. If Franchisee fails to cure such an Event of Default, Franchisor may terminate the Franchise or take any of the other actions this Agreement permits.

(i) Franchisee fails to pay or expend in full when due any Continuing Fees and other payments to Franchisor, or any trade account (including shipping charges) payable to Franchisor or its

Affiliates, including for any Approved Supplies, Products and Services and other products and services, and fails to cure such default by making payment in full, including any applicable interest as provided by this Agreement, within 10 days after Franchisor notifies Franchisee in writing of the remedial action to be taken.

(ii) Franchisee fails to pay any trade obligation due to a vendor, landlord, or third party with whom Franchisor or any of its Affiliates does business—as a result of which, as related to failure to pay a vendor, the vendor withholds or threatens to withhold the sale of goods or services, or withdraws or threatens to withdraw the availability of normal trade terms, to Franchisor, any Franchisor Affiliate or another Franchisee—and fails to cure such default within 30 days after Franchisor notifies Franchisee in writing of the remedial action to be taken.

(iii) Franchisee fails to fulfill any requirement, to perform any obligation, or to observe any restriction set forth in this Agreement or the Brand Standards Manual, including without limitation obligations or restrictions regarding the development, participation in initial training, opening and operations of the Restaurant and use, offer or sale of Approved Supplies, Products and Services or other products and services in connection with the Restaurant, or any other condition or restriction contained in this Agreement and not otherwise addressed in this Section, and fails to cure such default within 30 days after Franchisor notifies Franchisee in writing of the remedial action to be taken.

(iv) Franchisee fails to fulfill any requirement or to perform any obligation set forth in Section 10 with respect to advertising and promotions (other than with respect to payment or expenditure of Continuing Fees) and fails to cure such default within 10 days after Franchisor notifies Franchisee in writing of the remedial action to be taken.

(v) Franchisee or any other Person bound under this Agreement fails or refuses to honor a request for indemnification under this Agreement and fails to cure such default within 10 days after Franchisor notifies Franchisee in writing of the remedial action to be taken.

(vi) Franchisee or any other Person bound under this Agreement breaches (a) any restriction or obligation relating to advertising or use of the internet set forth in this Agreement or any related terms of use agreement, or (b) any covenant or obligation relating to Franchisor's intellectual property set forth in this Agreement or otherwise makes any unauthorized use of a Mark, an item of Copyrighted Materials or an element of the System and fails to cure such default within 10 days after Franchisor notifies Franchisee in writing of the remedial action to be taken.

(vii) Any lease for Franchisee's Restaurant premises expires or is terminated and Franchisee fails to renew or obtain approved replacements for Franchisee's Restaurant in accordance with this Agreement within 15 days after Franchisor notifies Franchisee in writing of the remedial action to be taken.

(viii) Franchisee or any agent, representative or employee of Franchisee (a) violates any law, rule or regulation in connection with the operation of Franchisee's Restaurant, or (b) fails to obtain, prior to opening, one or more of the licenses, permits or certificates required to operate a Restaurant (including any applicable Liquor Licenses or licenses to operate motor vehicles) in accordance with the Brand Standards, or if such certificates are suspended or terminated for any reason and fails to cure such default by promptly notifying Franchisor and taking all necessary action as approved by Franchisor to cure such violation within 72 hours after Franchisee receives notice of the violation.

(ix) Franchisee fails to comply with any notification, investigation and/or remediation requirements implemented by Franchisor during any Crisis Management Event, and/or fails to cure such default within 48 hours after Franchisor notifies Franchisee in writing of the remedial action to be taken.

(c) Following are Events of Default that are irreversible and cannot be cured, and this Agreement will terminate immediately upon notice to Franchisee, unless otherwise indicated below.

(i) Franchisee or any other Person bound under this Agreement fails to observe or comply with the requirements of this Agreement regarding (a) any actual or purported or attempted sale, assignment or Transfer of interests or assets related to this Agreement or the Restaurant, (b) any non-competition and confidentiality covenants, (c) any unauthorized use or duplication of any aspect of the System, any offer and/or sale of unauthorized Approved Supplies, Products and Services or other products or services to Customers or any purchase or use of any unauthorized leasehold improvements, furniture, fixtures, equipment, signage, Approved Supplies, Products and Services Approved Supplies, Products and Services or other products or services in connection with the Restaurant or for other purposes, or (d) any representation, warranty or covenant with respect to terrorist activities and money laundering.

(ii) Franchisee abandons, fails, or refuses to actively operate the Store for two business days in any twelve-month period, unless the Restaurant has been closed for a purpose approved by us.

(iii) Franchisee and/or any Person bound under this Agreement commits or allows to occur the same Events of Default two or more times in any 12-month period, whether or not notified to Franchisee and whether or not cured in accordance with this Agreement.

(iv) Franchisee and/or any Person bound under this Agreement commits or allows to occur three or more similar or different Events of Default in any 12-month period, whether or not notified to Franchisee and whether or not cured in accordance with this Agreement.

(v) Franchisee or any guarantor of Franchisee's monetary obligations to Franchisor becomes insolvent, is adjudicated a bankrupt, voluntarily files a petition for liquidation or reorganization under any provision of the Bankruptcy Code, makes an assignment for the benefit of creditors or takes any other action pursuant to any federal or state insolvency statute or a receiver or other custodian is appointed for Franchisee's business or business assets. In such event, this Agreement will terminate automatically and immediately without notice to Franchisee.

(vi) Franchisee or one or more of the Principals is charged or convicted of a felony or a crime involving fraud, sexual harassment, battery, drug possession, moral turpitude or any other crime or offense, or commits any act (regardless of whether such act constitutes a crime) that in Franchisor's sole opinion is reasonably likely to have an adverse effect on the System or the Marks, or the goodwill associated with the System or the Marks.

(vii) Franchisee knowingly maintains false books or records or submits any false reports to Franchisor, its Affiliates or any third-party vendor or supplier.

17. Termination; Other Remedies.

(a) If Franchisee commits or allows an Event of Default to occur and does not cure it before the related remedial period, if any, expires, Franchisor may, at its option, but subject to compliance with applicable statutory notice and/or hearing requirements, either terminate the Franchise and Franchisee's rights under this Agreement or compel Franchisee to sell the Franchised Restaurant in accordance with this Agreement. Upon termination or expiration of the Franchise, Franchisee's right and privilege to use the System, the Marks, the Copyrighted Materials, the Trade Secrets and all components of the Brand Standards Manual will absolutely and unconditionally cease. Franchisee will immediately:

(i) cease offering and selling Approved Supplies, Products and Services, Approved Supplies, Products and Services and any other products and services, and either sell to or otherwise dispose of all unsold Approved Supplies, Products and Services and related products and services, as directed by Franchisor.

(ii) discontinue use of the Marks, the Copyrighted Materials, the System, Trade Secrets and all components of the Brand Standards Manual, and permanently remove and delete all such items from Franchisee's Technology and Information Systems;

(iii) return to Franchisor the entire Brand Standards Manual and any other printed, graphic or audio/visual item designated by Franchisor as containing Trade Secrets;

(iv) unless such items are sold to Franchisor or another Franchisee in the CAFÉ MEXICALI Network with Franchisor's approval, remove from the Restaurant premises all interior and exterior Restaurant signs and other uses of the Marks;

(v) unless such items are sold to Franchisor or another Franchisee in the CAFÉ MEXICALI Network with Franchisor's approval, alter the Restaurant premises and related furniture, fixtures, equipment and leasehold improvements to remove all Trade Dress items and otherwise eliminate any and all distinctive features of the Franchise and to eliminate the ability of Franchisee or any third-party to use the Restaurant premises and related furniture, fixtures, equipment and leasehold improvements for the offer or sale of Approved Supplies, Products and Services or other products or services;

(vi) cease use of and/or transfer to Franchisor (at Franchisor's direction) all email addresses used in connection with the Restaurant, regardless of whether such email addresses contain or reference one or more of the Marks;

(vii) cease use of and/or return to Franchisor all Customer Information in accordance with this Agreement; and

(viii) cease use of and/or remove to the extent possible all Social Media or other online profiles that use one or more of the Marks to advertise, promote or operate the Restaurant and cancel all rights in and to any accounts for such Social Media or other online profiles; and

(b) Upon the Franchise's termination or expiration, Franchisor may immediately instruct the telephone company and all other directory publishers (both web-based and print) to transfer use and control of Franchisee's Restaurant's telephone number(s) and all directory listings to Franchisor or its designee. Franchisee irrevocably constitutes and appoints Franchisor and its designees as Franchisee's agent and attorney-in-fact to effect the transfer of Franchisee's Restaurant's telephone number(s) and directory listings, including authority to execute and deliver on Franchisee's behalf any transfer of service agreement the telephone company or other directory listing providers requires, and to revoke any call-forwarding or similar instructions Franchisee has given the telephone company. Franchisor will have no liability to Franchisee on account of or arising from any action it authorizes or takes to effect the transfer of Franchisee's Restaurant's telephone number(s) and other directory listings in accordance with this Section. In addition, Franchisor will be entitled to injunctive or similar relief, without bond, against Franchisee and any other Person bound under this Agreement to enforce compliance with these requirements.

(c) If Franchisee does not comply with the requirements of this Section within seven days after the Franchise's termination or expiration, Franchisor may, at Franchisee's expense, enter Franchisee's Restaurant's premises and effect Franchisee's compliance with all of that Section's requirements, including removal and storage of Franchisee's signs, and alteration or removal and storage of Trade Dress items. Franchisee irrevocably constitutes and appoints Franchisor and its designees as Franchisee's agent and attorney-in-fact to effect compliance with these requirements, and Franchisor will have no liability to Franchisee, in trespass or otherwise, on account of or arising from any action it authorizes or takes to effect Franchisee's compliance. In addition, Franchisor will be entitled to injunctive or similar relief, without bond, against Franchisee and any other Person bound under this Agreement to enforce compliance with these requirements.

(d) In lieu of immediately terminating the Franchise in accordance with Section 17(a), Franchisor may:

(i) suspend Franchisee's right to participate in one or more advertising, marketing, or promotional programs otherwise available to the CAFÉ MEXICALI Network;

(ii) suspend or terminate Franchisee's participation in any temporary or permanent fee reductions to which Franchisor might have agreed (whether as a policy, in an amendment to this Agreement, or otherwise);

(iii) refuse to provide any services and/or operational support;

(iv) demand and require Franchisee to sell Franchisee's Restaurant and transfer Franchisee's rights under this Agreement to a purchaser acceptable to Franchisor. After Franchisor demands such sale, Franchisee will have no further right or opportunity to cure a default or to reinstate Franchisee's right to continue operating Franchisee's Restaurant. Except for Franchisor's right to approve a proposed purchaser and to ensure that all Continuing Fees and other amounts due Franchisor and/or Franchisee's trade creditors are paid at the closing of the sale, Franchisee will be entitled to establish and negotiate the terms of sale. If Franchisee does not execute a binding agreement with an approved purchaser and deliver a copy of such agreement to Franchisor within 90 days after Franchisee receives Franchisor's demand to sell, or does not consummate the sale within 45 days after negotiations are completed, Franchisor may terminate the Franchise under Section 17(a) without further notice. Franchisee acknowledges and agrees Franchisor will not act as a broker for any transaction contemplated by this Section and that actions to be taken by Franchisor in connection with approving a transfer pursuant to this Section will not make Franchisor a broker for such transfer.

(e) In addition to any other rights and remedies (and in lieu of immediately exercising its rights under Section 17(a)), Franchisor may notify each supplier, distributor or vendor of Approved Supplies, Products and Services or other products and services that Franchisee is no longer authorized to purchase these Approved Supplies, Products and Services or other products and services, and that sales of such items to Franchisee must therefore be discontinued until further notice from Franchisor.

(f) In addition to any other rights and remedies, Franchisee will immediately pay to Franchisor, and Franchisor is entitled to recover, all amounts owed to Franchisor in connection with this Agreement, and all trade obligations due Franchisor, plus interest and any late fees under this Agreement (as applicable), with or without terminating the Franchise. If any such obligation is referred to an attorney for collection or is collected in whole or in part through a judicial proceeding, Franchisee agrees to pay Franchisor's attorneys' fees and costs of collection, plus a charge for the staff and administrative time Franchisor expends to enforce its claims.

(g) In addition to any other rights and remedies, Franchisor may remove information on Franchisee and the Restaurant from the Website, cancel Franchisee's access and use of the Technology and Information Systems, including the CAFÉ MEXICALI Operating System if applicable), cancel Franchisee's account on the Intranet network and/or deny Franchisee further access to communication via the Intranet, with or without terminating the Franchise.

(h) In addition to any other rights and remedies, Franchisor may obtain injunctive relief, without bond, against Franchisee and/or any other Person bound under this Agreement restraining the unauthorized or violative use of any Mark, item of Copyrighted Materials or Trade Secret, with or without terminating the Franchise.

(i) In addition to any other rights and remedies, Franchisor may recover damages from Franchisee and any other Person bound under this Agreement for the unauthorized use of any Mark and/or Trade Secret or the unauthorized use, copying or distribution of any item of Copyrighted Materials, and for any loss of customer or future Franchisee goodwill in the vicinity of Franchisee's Restaurant.

(j) In addition to any other rights and remedies and regardless of whether Franchisor purchases Franchisee's Restaurant, Franchisor will have an option (but no obligation) to purchase all or any part of Franchisee's Restaurant's signs (not owned by Franchisor), equipment, fixtures, useable Approved Supplies, Products and Services or other products, and Franchisee's ownership interest (if any) in Franchisee's Restaurant premises from Franchisee free and clear of all liens, restrictions or encumbrances,

exercisable by giving written notice thereof to Franchisee within 60 days after the Franchise expires or is terminated. Franchisor will be entitled to all customary warranties and representations in connection with Franchisor's asset purchase, including, without limitation, representations and warranties as to ownership and condition of and title to assets; liens and encumbrances on assets; validity of contracts and agreements; and liabilities effecting the assets, contingent or otherwise. The purchase price for signs and equipment will equal their net book value (cost, less depreciation) or fair market value, whichever is lower; the purchase price for useable Approved Supplies, Products and Services or other products will equal to its invoiced cost to Franchisee; and the purchase price for the premises will be fair market value. Fair market value will be determined by two appraisers, with each party selecting one appraiser, and the average of their determinations constituting the binding market value. Each party will bear its own legal and other costs and will split the appraisal fees equally. The purchase price will be payable in cash (except that Franchisor may assume any note or lease covering furniture, fixtures, equipment, signage and any note covering Franchisee's Restaurant premises). Franchisee agrees to provide Franchisor the information necessary to establish the purchase price, to sign and deliver to Franchisor a deed, bill of sale or an assignment of lease, transfer good and merchantable title to the assets purchased, free and clear of all liens and encumbrances (other than liens and security interest acceptable to Franchisor, if any) with all sales and other transfer taxes paid by Franchisee and all licenses and permits of Franchisee's Restaurant which may be assigned, and otherwise to cooperate with Franchisor in its taking title to and possession and delivery of the items Franchisor purchases. The purchase price will be paid at the closing of the purchase, which will take place not later than 90 days after determination of the purchase price. Franchisor may exclude from the assets purchased hereunder cash or its equivalent and any equipment, signs, inventory, materials and supplies that are not necessary (in function or quality) to Franchisee's Restaurant's operation or that Franchisor has not approved as meeting standards for CAFÉ MEXICALI Restaurants, and the purchase price will reflect such exclusions. Additionally, Franchisor has the right to set off against the purchase price, and thereby reduce the purchase price by, any and all amounts Franchisee or the Principals owe to Franchisor. If Franchisee fails or refuses to comply with its obligations under this Section during the option period, Franchisor's option will be extended until 15 days after Franchisee complies.

(k) In addition to any other rights and remedies, Franchisor or Franchisor's designee will have the option (but no obligation) to assume any lease or sublease for Franchisee's Restaurant premises. If Franchisor or its designee assumes any lease or sublease for Franchisee's Restaurant premises, the assignee must assume all of Franchisee's obligations under the lease from and after the date of assignment, but will have no obligation to pay any delinquent rent or to cure any other default under the lease that occurred or existed prior to the date of the assignment. Franchisee will be solely responsible for any assignment fee or similar charge, or any increase or acceleration of rent under all leases or subleases in connection with an assignment to Franchisor or its designee.

(l) In addition to any other rights and remedies, Franchisor or Franchisor's designee will have the option (but no obligation) to assume the Liquor Licenses for the Restaurant. Franchisee will promptly use all commercially reasonable efforts to obtain the necessary approvals from any state or local authority for the prompt transfer or relocation of the Liquor Licenses. If applicable law does not permit the transfer or relocation of the Liquor Licenses, Franchisee will have five (5) days after Franchisor's delivery of written notice of termination or expiration of this Agreement to contact all applicable authorities regarding, and to initiate, all procedures necessary to apply for new Liquor Licenses in the name of Franchisor or its designee in all applicable jurisdictions, and will notify Franchisor in writing of such initiation. Franchisee will join and cooperate with Franchisor in promptly procuring replacement Liquor Licenses. Franchisee will (i) immediately fulfill any directives or requirements from all applicable authorities in order to expedite the transfer or relocation of the existing Liquor License or acquisition of a new Liquor License; (ii) pay or promptly arrange for the full payment of all taxes of any kind or nature whatsoever, including without limitation property taxes, personal property taxes, sales, use, withholding, and any other taxes, that may affect title or the rights to any Liquor License in any way; and (iii) indemnify and hold Franchisor harmless

for any and all of any Franchisee's liabilities and obligations related to the rights of Franchisor or its designee to own, possess, and use any Liquor Licenses.

18. Indemnification.

(a) Franchisee and the Principals, jointly and severally, will, at all times and to the fullest extent permitted by law, indemnify the Indemnified Parties from and defend them against all Losses and Expenses of any of the Indemnified Parties that arise out of or are based upon any of the following:

(i) The operation or condition of any part of the Restaurant or the site on which the Restaurant is located Restaurant, the conduct of business at the Restaurant and any acts or omissions of Franchisee or Franchisee's employees, agents or contractors, including with respect to the collection or use of Customer Information.

(ii) The infringement, alleged infringement, or any other violation or alleged violation by Franchisee or any of the Principals of any patent, trademark, copyright, or other proprietary right owned or controlled by third parties unless, and to the extent that, the Action is based upon or arises from Franchisee's authorized use of the Marks in strict compliance with the terms of this Agreement.

(iii) The violation or breach by Franchisee or any of the Principals of any law, regulation, ruling or industry standard, including but not limited to any restaurant or food service, tobacco or smoking related law, labor and employment law, regulation, ruling or industry standard related to Franchisee's employees and agents and any national and municipal laws governing the generation, use or disposal of hazardous waste or hazardous materials and any and all other laws designed to protect the environment.

(iv) Franchisee's failure to obtain and maintain the types and amount of insurance coverage set forth in the Brand Standards Manual or otherwise required by Franchisor.

(v) Libel, slander, or any other form of defamation of the Indemnified Parties, the System or any other Franchisee by Franchisee or any of the Principals.

(vi) The violation or breach by Franchisee, or any of its Affiliates or Principals of any warranty, representation, agreement or obligation in this Agreement or other agreement between Franchisee or its Affiliates and one or more of the Indemnified Parties.

(vii) Acts, errors, or omissions of Franchisee, its Affiliates, the Principals and their respective owners, officers, employees, agents and representatives in connection with the establishment and operation of the Restaurant pursuant to this Agreement.

(viii) Any and all encumbrances, liens, assessments, levies, charges, surcharges, demands for payment, taxes or any other liabilities imposed on Franchisor or on or as a result of any payment due to or paid to Franchisor under this Agreement, by any taxing authority or any political subdivision, instrumentality, agency or other body of any governmental or taxing authority.

(b) Franchisee and each of the Principals agrees to give Franchisor immediate notice of any Action subject to indemnification under this Agreement. At the expense and risk of Franchisee and each of the Principals, Franchisor may elect to control (but under no circumstance is obligated to undertake), and associate counsel of its own choosing with respect to, the defense and/or settlement of any such Action. Such an undertaking by Franchisor will, in no manner or form, diminish the obligation of Franchisee and each of the Principals to indemnify the Indemnified Parties and to hold them harmless.

(c) In order to protect persons or property or the reputation or goodwill of itself or others, Franchisor may, at any time and without notice, as it deems appropriate, consent or agree to settlements or take such other remedial or corrective action as it deems expedient with respect to the Action if, in Franchisor's judgment, there are grounds to believe that:

(A) Any of the acts or circumstances enumerated in this Section has occurred;

or

(B) Any act, error or omission as described in this Section may result directly or indirectly in damage, injury or harm to any Person or any property.

(d) All Losses and Expenses incurred under this Section will be chargeable to and paid by Franchisee or any of the Principals pursuant and subject to their respective obligations of indemnity under this Section, regardless of any action, activity, or defense undertaken by Franchisor or the subsequent success or failure of that action, activity, or defense.

(e) THE INDEMNIFIED PARTIES DO NOT ASSUME ANY LIABILITY WHATSOEVER FOR ACTS, ERRORS, OR OMISSIONS OF THOSE WITH WHOM FRANCHISEE, ANY OF ITS AFFILIATES OR ANY OF THE PRINCIPALS, MAY CONTRACT. FRANCHISEE AND EACH OF FRANCHISEE'S PRINCIPALS THAT EXECUTES THE PERSONAL GUARANTY AND PRINCIPALS' UNDERTAKING WILL HOLD HARMLESS AND INDEMNIFY THE INDEMNIFIED PARTIES FROM ALL LOSSES AND EXPENSES THAT MAY ARISE OUT OF ANY ACTS, ERRORS, OR OMISSIONS OF FRANCHISEE, ITS AFFILIATES AND THE PRINCIPALS AND ANY SUCH THIRD PARTIES, WITHOUT LIMITATION AND WITHOUT REGARD TO THE CAUSE OR CAUSES OF THE ACTS, ERRORS OR OMISSIONS OR THE NEGLIGENCE (WHETHER THAT NEGLIGENCE IS SOLE, JOINT, OR CONCURRENT, AND WHETHER ACTIVE OR PASSIVE) OR STRICT LIABILITY OF ANY OF THE INDEMNIFIED PARTIES OR ANY OTHER PARTY OR PARTIES ARISING IN CONNECTION THEREWITH, IN CONNECTION WITH THE ESTABLISHMENT AND OPERATION OF THE RESTAURANT, INCLUDING, BUT NOT LIMITED TO, ANY ACTS, ERRORS OR OMISSIONS OF ANY OF THE FOREGOING IN THE OPERATION OF ANY MOTOR VEHICLES, IN THE ESTABLISHMENT OR IMPLEMENTATION OF SECURITY FOR THE RESTAURANT, IN THE USE OF ANY INTERNET SITE OR INTRANET NETWORK DEVELOPED BY FRANCHISOR, ACTS OF ANY THIRD PARTIES, OR ACTS OR CLAIMS ARISING FROM THIS AGREEMENT.

19. Terrorist and Money Laundering Activities.

Franchisee and the Principals represent and warrant to Franchisor that neither Franchisee, nor any Principal, nor any of their respective Affiliates is identified, either by name or an alias, pseudonym or nickname, on the lists of "Specially Designated Nationals" or "Blocked Persons" maintained by the U.S. Treasury Department's Office of Foreign Assets Control (texts currently available at www.treas.gov/offices/enforcement/ofac/). Further, Franchisee and the Principals represent and warrant that neither they nor any Principal or Affiliate referred to above has violated, and each of them agrees not to violate, any law prohibiting corrupt business practices, money laundering or the aid or support of Persons who conspire to commit acts of terror against any Person or government, including acts prohibited by the U.S. Patriot Act (text currently available at <http://www.epINC.org/privacy/terrorism/hr3162.html>), U.S. Executive Order 13224 (text currently available at <http://www.treas.gov/offices/enforcement/ofac/legal/eo/13224.pdf>), or any similar law. The foregoing constitute continuing representations and warranties, and Franchisee and the Principals will immediately notify Franchisor in writing of the occurrence of any event or the development of any circumstance that might render any of the foregoing representations and warranties false, inaccurate or misleading.

20. Law Governing; Dispute Resolution.

(a) **Except to the extent governed by the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. §§1051 *et. seq.*), this Agreement will for all purposes be governed by and interpreted and enforced in accordance with the internal laws of the State of Colorado, except that its choice of law and conflict of law rules will not apply.**

(b) Franchisor and Franchisee agree to submit any claim, controversy or dispute between themselves or each other's respective affiliates (and their, and their affiliates' respective, owners, officers, directors, agents, representatives and/or employees) arising out of or related to (i) this Agreement or any other related agreement between Franchisor and Franchisee, (ii) Franchisor's relationship with Franchisee,

or (iii) the validity of this Agreement or any other related agreement between Franchisor or Franchisee to mediation before bringing such claim, controversy or dispute in a court.

(i) The mediation shall be conducted by a mediator agreed upon by the parties to the mediation and, failing such agreement within not more than 30 days after either party has notified the other of its desire to seek mediation, by the American Arbitration Association or any successor organization in accordance with its rules governing mediation. Mediation shall be held at the agreed-upon mediator's offices in the city where Franchisor maintains its principal business offices. The costs and expenses of mediation, including the compensation and expenses of the mediator (but excluding attorneys' fees incurred by either party), shall be borne by the parties equally.

(ii) If the parties are unable to resolve the claim, controversy or dispute within 90 days after the mediator has been chosen, then, unless such time period is extended by written agreement of the parties, either party may bring such claim, controversy, or dispute in accordance with the Agreement. The parties agree that statements made during such mediation proceeding will not be admissible for any purpose in any subsequent legal proceeding.

(iii) Notwithstanding the foregoing provisions of this Section, the parties' agreement to mediate shall not apply to any controversy, dispute or claim related to or based on amounts owed to us pursuant to this Agreement or for temporary or preliminary injunctive or other extraordinary relief sought ("Excepted Claims"). Either party may bring any Excepted Claims in any court of competent jurisdiction and the parties hereby waive all questions of personal jurisdiction or venue for the purpose of carrying out this provision.

(c) The parties mutually agree that the state and federal courts located in the county in which Franchisor has its then current principal place of business (currently the U.S. District Court for Colorado, or if such court lacks jurisdiction, the state courts located in Weld County, Colorado), will be the exclusive venue and exclusive forum in which to adjudicate any Action arising from or relating to this Agreement and any guarantees hereof, undertakings hereunder provided and relationship established thereby, however, with respect to any Action which seeks monies owed, injunctive relief or other extraordinary relief, Franchisor may bring such action in any court of competent jurisdiction. The parties irrevocably submit to the jurisdiction of such courts and waive any objections to either the jurisdiction of or venue in such courts. The parties mutually agree that personal jurisdiction may be effected by alternative means of service of process and that when so made will be as if served personally. This Agreement was executed and accepted at Franchisor's current place of business in Weld County, Colorado. The parties anticipate that the performance of certain of Franchisee's obligations arising under this Agreement, including the payment of certain monies due Franchisor, will initially occur in Weld County, Colorado.

(d) **Except with respect to Franchisee's and each Principal's obligation to indemnify Franchisor and claims Franchisor brings for Franchisee's unauthorized use of the Marks or unauthorized use or disclosure of any Trade Secrets, the parties waive to the fullest extent permitted by law any right to or claim for any punitive, exemplary, special and consequential damages against the other and agree that, in the event of any Action between the parties, the parties bringing the Action will be limited to equitable relief and to recovery of any direct or general damages it sustains; provided, however that Franchisor will have the right to seek and recover lost profits and/or all applicable liquidated damages afforded under this Agreement in the event of termination of this Agreement.**

(e) **Except for an Action arising from Franchisee's nonpayment or underpayment of amounts Franchisee owes Franchisor pursuant to this Agreement, or an Action related to Franchisee's unauthorized use of the Marks, any and all Actions arising out of or relating to this Agreement or the relationship created hereby will be barred unless an Action is commenced within two years and one day after the date on which the party asserting such Action knew or should have known of the facts giving rise to such Action. Notwithstanding the foregoing, with respect to any Actions arising out of or in connection with an Event of Force Majeure, the two years limit on Actions provided for in this**

Section will be extended for a period equal to the extended performance period resulting from the Event of Force Majeure, provided that such period will not exceed 90 days.

_____ [Franchisee's Initials]

(f) Franchisee and the Principals agree that any Action arising from or relating to this Agreement and any guarantees hereof, undertakings hereunder provided and the relationship established thereby shall be conducted on an individual basis, and not as part of a common, consolidated or class action.

21. JURY TRIAL WAIVER. THE PARTIES IRREVOCABLY WAIVE TRIAL BY JURY IN ANY ACTION, WHETHER AT LAW OR IN EQUITY, BROUGHT BY EITHER PARTY RELATING TO THE RELATIONSHIP BETWEEN THE PARTIES OR ARISING UNDER OR IN ANY WAY CONNECTED WITH THIS AGREEMENT OR ANY RIGHT OR CURE HEREUNDER. THE PARTIES ACKNOWLEDGE THEIR RIGHT TO A JURY TRIAL, THAT THEY HAVE HAD AN OPPORTUNITY TO CONSULT WITH COUNSEL AND THAT THIS WAIVER IS ENTERED INTO KNOWINGLY AND VOLUNTARILY.

22. Liquidated Damages.

(a) If Franchisee unilaterally abandons the Franchise prior to the natural expiration of the term or Franchisor terminates this Agreement for cause in accordance with the terms of this Agreement, then, in addition to any other remedies available to Franchisor at law or in equity, Franchisor will be entitled to collect from Franchisee, and Franchisee agrees to pay within 15 days of demand by Franchisor, an amount equal to the average aggregated Royalty Fees that Franchisee paid or owed to Franchisor during the 12 months of operation preceding the effective date of termination multiplied by the lesser of (a) 24, or (b) the total number of months remaining in the Term of this Agreement had it not been terminated.

(b) If after (1) the expiration of the Franchise, or (2) the termination of the Franchise by Franchisor in accordance with this Agreement, Franchisee continues to use any of the Marks or element of the System in connection with the continued operation of Franchisee's Restaurant or otherwise, then, in addition to any other remedies available to Franchisor at law or in equity, Franchisor will be entitled to collect from Franchisee, and Franchisee agrees to pay within 15 days of demand by Franchisor, Continuing Fees for such use of the Marks and/or the System equal to 200% of the Continuing Fees that Franchisee would otherwise have been obligated to pay under this Agreement with respect to the operations of the Restaurant.

(c) If Franchisee directly or indirectly opens or participates in the ownership or operation of a business in violation of the covenant not to compete expressed in this Agreement), then, in addition to any other remedies available to Franchisor at law or in equity, Franchisor will be entitled to receive throughout the term of the covenant, and Franchisee agrees to pay within 15 days of demand by Franchisor, a monthly fee equal to 15% of the competing businesses' revenues, measured in accordance with same parameters that Continuing Fees are measured under this Agreement.

(d) Any demand for payment of liquidated damages under this Agreement does not constitute an election of remedies and any payments received will be in addition to and not in lieu of any other remedies available to Franchisor at law or in equity.

23. Miscellaneous.

(a) This Agreement will be binding upon and inure to the benefit of Franchisor and Franchisee and their respective successors, assigns, executors, heirs and personal representatives. If Franchisee is, or subsequently Transfers the Franchise to, a Business Entity, each Principal will also be personally and individually bound by the provisions of this Agreement that expressly.

(b) This Agreement will not be binding on Franchisor and the Franchise will not be granted unless and until each Principal designated by Franchisor executes and delivers a Personal Guaranty and Principals' Undertaking in the form attached as Exhibit A. Additionally, all Persons who receive Confidential

Information as a result of Franchisee's operations hereunder, that do not satisfy the term "Principal" under this Agreement, will be required to execute a copy of the Confidentiality Agreement and Covenant Not To Compete attached to this Agreement as Exhibit B; provided that only those with a direct or indirect ownership interest in Franchisee will be required to sign Exhibit B with a Covenant Not To Compete

(c) The provisions of this Agreement are severable, and if any provision is held illegal, invalid or unenforceable, the holding will not affect the legality, validity or enforceability of any other provision. Any illegal, invalid or unenforceable provision will be reformed to the minimum extent necessary to render it legal, valid and enforceable and, as so reformed, will continue in full force and effect.

(d) The term "Franchisee" includes the plural as well as the singular, the masculine and feminine genders, and Business Entities as well as individuals.

(e) This Agreement may not be amended, modified or rescinded, or any performance requirement waived, except by a written document signed by Franchisor and Franchisee. The parties expressly agree that this Agreement may not be amended or modified, or any performance standard changed, by course of dealing or inference from a party's conduct. This provision does not apply to changes in the Brand Standards Manual, which Franchisor may modify unilaterally.

(f) Notwithstanding any contrary provisions contained in this Agreement, Franchisor and Franchisee acknowledge and agree that (a) this Agreement (and the relationship of the parties which arises from this Agreement) grants Franchisor the discretion to make decisions, take actions and/or refrain from taking actions not inconsistent with Franchisee's explicit rights and obligations hereunder that may affect favorably or adversely Franchisee's interests; (b) Franchisor will use its business judgment in exercising such discretion based on Franchisor's assessment of Franchisor's own interests and balancing those interests against the interests, promotion and benefit of the System and CAFÉ MEXICALI Restaurants generally (including Franchisor, and its Affiliates and other Franchisees), and specifically without considering Franchisee's individual interests or the individual interests of any other particular Franchisee (examples of items that will promote or benefit the System and CAFÉ MEXICALI Restaurants generally include, without limitation, enhancing the value of the Marks, improving Customer service and satisfaction, improving project quality, improving uniformity, enhancing or encouraging modernization, and improving the competitive position of the System); (c) Franchisor will have no liability to Franchisee for the exercise of its discretion in this manner; and (d) even if Franchisor has numerous motives for a particular action or decision, so long as at least one motive is a reasonable business justification no trier of fact in any legal action will substitute its judgment for Franchisor's judgment so exercised and such action or decision will not be subject to challenge for abuse of discretion. IF FRANCHISOR TAKES ANY ACTION OR CHOOSES NOT TO TAKE ANY ACTION IN ITS DISCRETION WITH REGARD TO ANY MATTER RELATED TO THIS AGREEMENT AND ITS ACTION OR INACTION IS CHALLENGED FOR ANY REASON, THE PARTIES EXPRESSLY DIRECT THE TRIER OF FACT THAT FRANCHISOR'S RELIANCE ON A BUSINESS REASON IN THE EXERCISE OF ITS DISCRETION IS TO BE VIEWED AS A REASONABLE AND PROPER EXERCISE OF ITS DISCRETION, WITHOUT REGARD TO WHETHER OTHER REASONS FOR FRANCHISOR'S DECISION MAY EXIST AND WITHOUT REGARD TO WHETHER THE TRIER OF FACT WOULD INDEPENDENTLY ACCORD THE SAME WEIGHT TO THE BUSINESS REASON.

(g) This Agreement is not intended to create, and will not be interpreted or construed as creating, a partnership, joint venture, agency, employment, personal services, fiduciary or other "special" relationship between Franchisor and Franchisee, and no representation to the contrary will be binding upon Franchisor.

24. Notices. All notices permitted or required to be delivered pursuant to the provisions of this Agreement will be delivered in writing to the address listed on the Summary Pages for Franchisor and to the Restaurant Address for Franchisee or such other address as the parties will specify by written notice, and will be deemed so delivered: (a) at the time delivered by hand; (b) one day after transmission by email (provided

that the sender confirms the email by sending an original confirmation copy by expedited delivery service within five days after transmission); or (c) one day after being placed in the hands of a commercial courier service for next day delivery, provided there is proof of receipt; and must be addressed to the party to be notified at the addresses as described above for Franchisor and Franchisee or such other address as the parties will specify by written notice.

25. Franchisee's Acknowledgments.

(a) Franchisee acknowledges and agrees that this Agreement constitutes the entire agreement between the parties hereto pertaining to the subject matter hereof and supersedes all prior agreement, understandings, negotiations and discussions, whether oral or written, of the parties hereto, and there are no warranties, representations or other agreements between the parties hereto in connection with the subject matter hereof except as specifically set forth herein and therein; provided that to the extent applicable nothing in this Agreement, the Exhibits or any related agreement is intended to disclaim Franchisor's representations contained in the franchise disclosure document provided to Franchisee in connection with this Agreement. No supplement, modification, waiver or termination of this Agreement will be binding unless executed in writing by the party hereto to be bound thereby. No waiver of any of the provisions of this Agreement will be deemed or will constitute a waiver of any other provisions (whether or not similar), nor will such waiver constitute a continuing waiver unless otherwise expressly provided.

(b) Franchisee acknowledges that no document that this Agreement requires will be binding on Franchisor unless it is signed on Franchisor's behalf by its authorized representative.

(c) Franchisee acknowledges and agrees that this Agreement creates an arm's length commercial relationship that cannot and will not be transformed into a fiduciary or other "special" relationship by course of dealing, by any special indulgences or benefits that Franchisor bestows on Franchisee, or by inference from a party's conduct.

(d) Franchisee acknowledges and agrees that Franchisee received (i) Franchisor's then current franchise disclosure document required by the Trade Regulation Rule of the Federal Trade Commission entitled "Disclosure Requirements and Prohibitions Concerning Franchising" at least 14 days prior to execution of this Agreement as required by such Trade Regulation Rule and (ii) a fully completed copy of this Agreement at least 7 days prior to execution as required by such Trade Regulation Rule, as further described on the Summary Pages.

[COMPLETED AND EXECUTED ON THE FOLLOWING PAGE]

IN WITNESS WHEREOF, the undersigned have entered into this Agreement as witnessed by their signatures below.

FRANCHISOR:
CAFÉ MEXICALI – FRANCHISING, LLC
a Colorado limited liability company

FRANCHISEE:

By: _____
Name: _____
Title: _____

Date: _____

By: _____
Name: _____
Title: _____

Date: _____

EXHIBIT A

PERSONAL GUARANTY AND PRINCIPALS' UNDERTAKING

In consideration of, and as an inducement to, the execution of the Restaurant Franchise Agreement with the date set forth below, including any appendices and amendments thereto (the "Franchise Agreement"), by and between Café Mexicali-Franchising, LLC, a Colorado limited liability company ("Franchisor") and the Franchisee named below ("Franchisee"), each of the undersigned Principals hereby personally and unconditionally: (1) guarantees to Franchisor and its successors and assigns, for the Term of the Franchise Agreement and thereafter as provided in the Franchise Agreement, that Franchisee will punctually pay and perform the Franchise Agreements and covenants expressly provided by the terms of the Franchise Agreement; and (2) acknowledges that each is included in the term "Principal" as described in the Franchise Agreement and without limiting any guarantee of Franchisee's obligations under the Franchise Agreement, jointly and severally makes all of the covenants, representations, warranties and agreements of Principals set forth in the Franchise Agreement and is jointly and severally obligated to perform thereunder for so long as he or she qualifies as a Principal and thereafter to the extent expressly provided by the terms of the Franchise Agreement, including, but not limited to, the covenants, representations, warranties and agreements described in the following sections of the Franchise Agreement: Sections 14 (regarding confidentiality and non-competition), 15 (regarding Transfer), 18 (regarding indemnification), 20 (regarding governing law and dispute resolution) and 22 (Liquidated Damages); and (3) represents that each and every representation of Franchisee made in connection with the Franchise Agreement is true, correct and complete in all respects as of the time given and as of the time of the undersigned's execution of this Personal Guaranty and Principals' Undertaking. Any capitalized terms used but not defined in this Personal Guaranty and Principals' Undertaking will have the meaning set forth in the Franchise Agreement.

Each of the undersigned waives: (a) acceptance and notice of acceptance by Franchisor of the foregoing undertakings; (b) notice of demand for payment of any indebtedness or nonperformance of any obligations hereby guaranteed; (c) protest and notice of default to any party with respect to the indebtedness or nonperformance of any obligations hereby guaranteed; (d) any right he or she may have to require that an action be brought against Franchisee or any other person as a condition of liability; (e) notice of any amendment to the Franchise Agreement; and (f) any and all other notices and legal or equitable defenses to which he may be entitled.

Each of the undersigned consents and agrees that: (i) his or her direct and immediate liability under this Personal Guaranty and Principals' Undertaking will be joint and several; (ii) he or she will render any payment or performance required under the Franchise Agreement upon demand if Franchisee fails or refuses to do so punctually; (iii) such liability will not be contingent or conditioned upon pursuit by Franchisor of any remedies against Franchisee or any other person; and (iv) such liability will not be diminished, relieved or otherwise effected by any extension of time, credit or other indulgence which Franchisor may from time to time grant to Franchisee or to any other person including, without limitation, the acceptance of any partial payment or performance or the compromise or release of any claims, none of which will in any way modify or amend this Personal Guaranty and Principals' Undertaking, which will be continuing and irrevocable until satisfied in full.

Each of the undersigned agrees that the state and federal courts in the county which Franchisor has its then current principal place of business (currently the U.S. District Court for Colorado, or if such court lacks jurisdiction, the state courts located in Weld County, Colorado), will be the exclusive venue and exclusive forum in which to adjudicate any case or controversy arising from or relating to this Agreement and this Personal Guaranty and Principals' Undertaking. Each of the undersigned irrevocably submits to the jurisdiction of such courts and waives any objections to either the jurisdiction of or venue in such courts. Each of the undersigned agrees that personal jurisdiction may be effected by service of process and that when so made will be as if served personally. Each of the undersigned irrevocably waives, to the fullest

extent the undersigned may lawfully do so, the defense of an inconvenient forum to the maintenance of such suit, action or proceeding and agrees that service of process for purposes of any such suit, action or proceeding need not be personally served or served within the State of Colorado but may be served with the same effect as if served within the State of Colorado, by means permitted by law addressed to the undersigned at the address set forth herein. Nothing contained herein will affect Franchisor's rights to bring a suit, action or proceeding in any other appropriate jurisdiction, including any suit, action or proceeding brought to enforce any judgment against one or more of the undersigned entered by a state or federal court.

Each of the undersigned further acknowledges and agrees as follows:

Each has read the terms and conditions of the Franchise Agreement and acknowledges that the execution of this Personal Guaranty and Principals' Undertaking is in partial consideration for, and a condition to the granting of the rights to the Marks and the System, and the Franchisor would not have granted such rights without the execution of this Personal Guaranty and Principals' Undertaking by each of the undersigned;

This Personal Guaranty and Principals' Undertaking will remain in force notwithstanding the death of the undersigned, and will be binding on the undersigned's personal representatives; and

This Personal Guaranty and Principals' Undertaking will continue and will be enforceable notwithstanding any change in the name or the constitution of the Franchisor or Franchisee.

Each of the undersigned represents and warrants that the following is a complete and accurate list of all Principals of Franchisee and a full description of the nature and extent of each Principal's Ownership Interest in Franchisee. Franchisee, and each Principal as to his Ownership Interest, represents and warrants that each Principal is the sole and exclusive legal and beneficial owner of his Ownership Interest in Franchisee, free and clear of all liens, restrictions, agreements and encumbrances of any kind or nature, other than those required or permitted by this Personal Guaranty and Principals' Undertaking.

Name of Franchisee:_____ **Date of Franchise Agreement:**_____

IN WITNESS WHEREOF, each of the undersigned has hereunto affixed his signature, under seal, on the same day and year as the Franchise Agreement was executed.

**OWNERSHIP INTEREST IN
FRANCHISEE:**

PRINCIPAL(S):

(Signature)

(Print Name)

(Signature)

(Print Name)

EXHIBIT B

CONFIDENTIALITY AGREEMENT AND COVENANT NOT TO COMPETE

This Confidentiality Agreement (this “Agreement”) is made and entered into as of the Effective Date set forth below, between Café Mexicali-Franchising, LLC, a Colorado limited liability company with its principal business address at 1919 65th Avenue, Unit 5, Greeley, Colorado 80634 (“Franchisor”), the Franchisee entity described in the signature below (“Franchisee”) and the owner, manager or employee described as the Recipient below (“Recipient”).

RECITALS

WHEREAS, Franchisor, as the result of the expenditure of time, skill, effort and money, has acquired the right to use and license others to use a distinctive System for the development and operation of the CAFÉ MEXICALI Restaurants that operate under the “Café Mexicali” trademark and trade name; and

WHEREAS, the System includes, but is not limited to, the development guidelines, opening guidelines, operational guidelines, initial and ongoing training programs, business methods, designs, arrangements and Brand Standards for developing and operating CAFÉ MEXICALI Restaurants, including those pertaining to site selection, conversion, construction, exterior and interior building design, layouts, leasehold improvements, furniture, fixtures, equipment, signage, trade dress, food and beverage supplies and products and other products and services that are used, offered or sold in CAFÉ MEXICALI Restaurants generally, methods of inventory control and requirements and policies regarding personnel, accounting and financial performance, advertising and marketing programs and information and technology systems, all of which Franchisor may improve, further develop or otherwise modify from time to time; and

WHEREAS, Franchisor’s Confidential Information developed and used in connection with the System provides economic advantages to Franchisor and includes information and know-how not generally known to, and not readily ascertainable by proper means by, Franchisor’s competitors who could obtain economic value from knowledge and use of the Confidential Information; and

WHEREAS, Franchisor has taken and intends to take all steps to maintain the confidentiality and secrecy of the Confidential Information; and

WHEREAS, Franchisor has granted Franchisee the limited right to develop a CAFÉ MEXICALI Restaurant using the System, the Marks and Confidential Information for the period defined in the Franchise Agreement made and entered into on the date described below (“Franchise Agreement”), by and between Franchisor and Franchisee; and

WHEREAS, Franchisor and Franchisee have agreed in the Franchise Agreement on the importance to Franchisor and to Franchisee and other licensed users of the System of restricting the use, access and dissemination of the Confidential Information; and

WHEREAS, it will be necessary for certain personnel, agents, independent contractors, officers, directors, partners and interest holders of Franchisee, or any entity having an interest in Franchisee to have access to and to use some or all of the Confidential Information in the management and operation of Franchisee’s business using the System; and

WHEREAS, Franchisee has agreed to obtain from recipients of Confidential Information written Agreements protecting the System against unfair competition; and

WHEREAS, Recipient wishes to remain, or wishes to become employed by or associated with Franchisee; and

WHEREAS, Recipient wishes and needs to receive and use the Confidential Information in the course of his or her employment or association in order to effectively perform services for Franchisee; and

WHEREAS, Recipient acknowledges that receipt of and the right to use the Confidential Information constitutes independent valuable consideration for the representations, promises and covenants made by Recipient herein;

NOW, THEREFORE, in consideration of the mutual covenants and obligations contained herein, the parties agree as follows:

1. Recipient expressly acknowledges that Recipient possesses skills and abilities of a general nature and has other opportunities for exploiting such skills. Consequently, enforcement of the covenants made in this Agreement will not deprive Recipient of any personal goodwill or ability to earn a living.

2. Franchisor and/or Franchisee will disclose to Recipient some or all of the Confidential Information relating to the System. As used in this Agreement, “Confidential Information” will include all items contemplated in the Franchise Agreement’s definition “Confidential Information” as well as any and all other information and materials, including, without limitation, any manuals, drawings, specifications, techniques and compilations of data which Franchisor provides to Franchisee and/or Recipient.

3. Recipient will receive the Confidential Information in confidence and will, at all times, maintain them in confidence, and use the Confidential Information only in the course of his or her employment by or association with Franchisee and then only in connection with the development and/or operation by Franchisee of the CAFÉ MEXICALI Restaurants using the System for so long as Franchisee is licensed by Franchisor to use the System.

4. Recipient will not at any time make copies of any documents or compilations containing some or all of the Confidential Information without Franchisor’s written permission.

5. Recipient will not at any time disclose or permit the disclosure of the Confidential Information except to other personnel of Franchisee and only to the limited extent necessary to train or assist other personnel of Franchisee in the development or operation of a CAFÉ MEXICALI Restaurant using the System.

[THE BELOW SECTION IS ONLY APPLICABLE IF THE RECIPIENT HAS AN OWNERSHIP INTEREST IN FRANCHISEE]

6. *If Recipient has a direct or indirect, legal or beneficial Ownership Interest of any type in Franchisee, including but not limited to (i) in relation to a corporation, the ownership of shares in the corporation; (ii) in relation to a partnership, the ownership of a general partner or limited partnership interest; (iii) in relation to a limited liability company, the ownership of a membership interest; or (iv) in relation to a trust, the ownership of the beneficial interest of such trust, Recipient covenants and agrees that, during the term of the Franchise Agreement and for 18 months after Recipient ceases to have such Ownership Interest or for 18 months after the Franchise Agreement has terminated for any reason, whichever occurs earlier, Recipient will not own or operate, directly or indirectly, or accept employment by or hold an interest in a Competing Business (defined as any restaurant or food service business whose primary focus is offering and selling Mexican-inspired food and beverage products and restaurant services to third parties through any means of distribution), which is located (i) at the Restaurant Address; or (ii) within the Restaurant’s Territory, or (iii) within 20 miles of the perimeter of the Restaurant’s Territory, or (iv) within 20 miles of the perimeter of the territory of any other CAFÉ MEXICALI Restaurant. For purposes of calculating the duration of the two-year period, any time during which Recipient (as applicable) is in violation or breach of the covenant will be excluded. Recipient acknowledges that Recipient’s covenant not to compete is reasonable and necessary to protect the business and goodwill of Franchisor and to avoid misappropriation or other unauthorized use of the System and Franchisor’s Confidential Information. Recipient acknowledges and confirms that Recipient possesses the education,*

training and experience necessary to earn a reasonable livelihood apart from operating a Competing Business.

The parties agree that the foregoing covenant will be construed as independent of any other covenant or provision of this Agreement. If all or any portion of a covenant in this Section is held unreasonable or unenforceable by a court or agency having valid jurisdiction in an unappealed final decision to which Franchisor is a party, Recipient expressly agrees to be bound by any lesser covenant subsumed within the terms of such covenant that imposes the maximum duty permitted by law, as if the resulting covenant were separately stated in and made a part of this Section.

Recipient understands and acknowledges that Franchisor will have the right to reduce the scope of any covenant set forth in this Section, or any portion thereof, without his or her consent, effective immediately upon notice to Recipient; and Recipient agrees that he or she will comply forthwith with any covenant as so modified, which will be fully enforceable notwithstanding the provisions of this Agreement.

7. Recipient will surrender any material containing some or all of Franchisor's Confidential Information to Franchisee or Franchisor, upon request, or upon termination of employment by or association with Franchisee, or upon conclusion of the use for which such information or material may have been furnished to Recipient.

8. Recipient will not at any time, directly or indirectly, do any act or omit to do any act that would or would likely be injurious or prejudicial to the goodwill associated with the Confidential Information and the System.

9. All manuals are loaned by Franchisor to Franchisee for limited purposes only and remain the property of Franchisor and may not be reproduced, in whole or in part, without Franchisor's written consent.

10. Any capitalized terms used but not defined in this Agreement will have the meaning set forth in the Franchise Agreement.

11. Franchisee will make all efforts to ensure that Recipient acts as required by this Agreement.

12. Recipient agrees that in the event of a breach of this Agreement, Franchisor would be irreparably injured and be without an adequate cure at law. Therefore, in the event of such a breach, or threatened or attempted breach of any of the provisions hereof, Franchisor will be entitled to enforce the provisions of this Agreement and will be entitled, in addition to any other remedies which are made available to it at law or in equity (including any right to terminate the Franchise Agreement, as provided therein), to a temporary and/or permanent injunction and a decree for the specific performance of the terms of this Agreement, without the necessity of showing actual or threatened harm and without being required to furnish a bond or other security.

13. Recipient agrees to pay all expenses (including court costs and attorneys' fees) incurred by Franchisor and Franchisee in enforcing this Agreement.

14. Any failure by Franchisor or the Franchisee to object to or take action with respect to any breach of any provision of this Agreement by Recipient will not operate or be construed as a waiver of or consent to that breach or any subsequent breach by Recipient.

15. THIS AGREEMENT WILL FOR ALL PURPOSES BE GOVERNED BY AND INTERPRETED AND ENFORCED IN ACCORDANCE WITH THE LAW OF COLORADO, WITHOUT REFERENCE TO CONFLICTS OF LAW PRINCIPLES. RECIPIENT HEREBY IRREVOCABLY AGREES THAT SERVICE OF PROCESS MAY BE MADE UPON HIM OR HER IN ANY PROCEEDING RELATING TO OR ARISING UNDER THIS AGREEMENT OR THE RELATIONSHIP CREATED BY THIS AGREEMENT BY ANY MEANS ALLOWED BY APPLICABLE LAW. RECIPIENT FURTHER AGREES THAT VENUE FOR ANY PROCEEDING RELATING TO OR ARISING OUT OF THIS AGREEMENT WILL BE ANY

COURT OF COMPETENT JURISDICTION WITH JURISDICTION OVER THE COUNTY IN WHICH FRANCHISOR HAS ITS THEN CURRENT PRINCIPAL PLACE OF BUSINESS (CURRENTLY GREELEY, COLORADO); PROVIDED, HOWEVER, WITH RESPECT TO ANY ACTION WHICH INCLUDES INJUNCTIVE RELIEF OR OTHER EXTRAORDINARY RELIEF, FRANCHISOR MAY BRING SUCH ACTION IN ANY COURT THAT HAS JURISDICTION.

16. The parties acknowledge and agree that each of the covenants contained herein are reasonable limitations as to time, geographical area, and scope of activity to be restrained and do not impose a greater restraint than is necessary to protect the goodwill or other business interests of Franchisor. The parties agree that each of the foregoing covenants will be construed as independent of any other covenant or provision of this Agreement. If all or any portion of a covenant in this Agreement is held unreasonable or unenforceable by a court or agency having valid jurisdiction in any unappealed final decision to which Franchisor is a party, Recipient expressly agrees to be bound by any lesser covenant subsumed within the terms of such covenant that imposes the maximum duty permitted by law, as if the resulting covenant were separately stated in and made a part of this Agreement.

17. This Agreement contains the entire agreement of the parties regarding the subject matter hereof. This Agreement may be modified only by a duly authorized writing executed by all parties.

18. For any breach of the non-competition/Competing Business obligations of this Agreement, and due to the difficulty of establishing the precise amount of damages for breach of these obligations, in addition to all other remedies provided for in this Agreement or otherwise available to Franchisor, Recipient agrees to pay Franchisor an amount equal to 20% of the gross revenues generated by a Competing Business with which Recipient is associated for a period equal to the duration Recipient is associated with the Competing Business. Demand for payment of liquidated damages does not constitute an election of remedies and any payments received will be in addition to and not in lieu of any other remedies to Franchisor at law or in equity.

19. This Agreement is not intended to create, and will not be interpreted or construed as creating, a partnership, joint venture, agency, employment, personal services, fiduciary or other “special” relationship between Franchisor and Recipient, and no representation to the contrary will be binding upon Franchisor.

20. All notices permitted or required to be delivered pursuant to the provisions of this Agreement will be delivered in writing to the appropriate address listed in the signature blocks for Franchisor, Franchisee and Recipient, or such other address as the parties will specify by written notice, and will be deemed so delivered: (a) at the time delivered by hand; (b) one (1) day after transmission by email (provided that the sender confirms the email by sending an original confirmation copy by expedited delivery service within five (5) days after transmission); or (c) one (1) day after being placed in the hands of a commercial courier service for next day delivery, provided there is proof of receipt.

21. The rights and remedies of Franchisor under this Agreement are fully assignable and transferable and will inure to the benefit of its respective Affiliates, successors and assigns. The respective obligations of Franchisee and Recipient hereunder may not be assigned by Franchisee or Recipient, without the prior written consent of Franchisor. Any assignment or attempted assignment lacking Franchisor’s prior written consent or that otherwise violates the restrictions in this Section will be ineffective against Franchisor.

IN WITNESS WHEREOF, the undersigned have entered into this Agreement as witnessed by their signatures below.

FRANCHISOR
CAFÉ MEXICALI-FRANCHISING, LLC
a Colorado limited liability company

FRANCHISEE

By: _____
Name: _____
Title: _____

By: _____
Name: _____
Title: _____

Date: _____
Date of Franchise Agreement _____

Date: _____

Franchisor's Address for Notice Purposes:

Café Mexicali-Franchising, LLC
1919 65th Avenue, Unit 5
Greeley, Colorado 80634
Email: rick@cafemexicali.com

Franchisee's Address for Notice Purposes:

Attention: _____
Email: _____

RECIPIENT:

By: _____
Name: _____
Title: _____

Date: _____

Recipient's Address For Notice Purposes:

Attention: _____
Email: _____

EXHIBIT C

**AUTHORIZATION AGREEMENT
FOR PRE-AUTHORIZED PAYMENTS**

Café Mexicali-Franchising, LLC (“FRANCHISOR”)

ID NUMBER: _____

The undersigned (“DEPOSITOR”) authorizes FRANCHISOR to initiate debit entries to the Checking Account indicated below at the DEPOSITORY named below, and authorizes DEPOSITORY to debit to such account all entries FRANCHISOR initiates.

DEPOSITORY

NAME _____ BRANCH _____

CITY _____ STATE _____

CHECKING ACCOUNT NO. _____

ROUTING NUMBER _____

DEPOSITOR agrees that this authorization will remain in full force and effect until DEPOSITOR has given FRANCHISOR written notice of its revocation in such time and in such manner as to afford FRANCHISOR and DEPOSITORY a reasonable opportunity to act on the notice.

DEPOSITOR’S

NAME _____ ID NUMBER _____

DEPOSITOR’S SIGNATURE _____

TITLE OF PERSON SIGNING (if signed in a representative capacity) _____

DATE _____

NOTE: ALL WRITTEN DEBIT AUTHORIZATIONS MUST PROVIDE THAT THE DEPOSITOR MAY REVOKE THE AUTHORIZATION ONLY BY NOTIFYING THE DEBIT ORIGINATOR (FRANCHISOR) IN THE MANNER SPECIFIED IN THE AUTHORIZATION

EXHIBIT D
LEASE RIDER

This Lease Rider is executed as of the date set forth below by and among Café Mexicali-Franchising, LLC, a Colorado limited liability company with its principal business address at 1919 65th Avenue, Unit 5, Greeley, Colorado 80634 (“Franchisor”), the Franchisee entity described in the signature below (“Franchisee”) and the landlord described (“Landlord”), as a Rider to the lease (as amended, renewed, and/or extended from time to time, “the Lease”) for the premises described below (the “Location”).

WHEREAS, Franchisee has executed or intends to execute a Franchise Agreement (the Franchise Agreement”) with Franchisor” for the operation of a CAFÉ MEXICALI Restaurant at the Location, and as a requirement thereof, the lease for the Location must include the provisions contained in this Rider; and

WHEREAS, Landlord and Franchisee agree that the terms contained herein will supersede any terms to the contrary set forth in the Lease;

NOW THEREFORE, in consideration of mutual covenants set forth herein, the execution and delivery of the Lease, and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, Landlord and Franchisee hereby agree as follows:

- A. Landlord will deliver to Franchisor a copy of any notice of default or termination of the Lease at the same time such notice is delivered to Franchisee.
- B. Notwithstanding anything to the contrary contained in the Lease, Franchisee will have the absolute right to sublet, assign or otherwise transfer its interest in the Lease to Franchisor or its affiliate, or to a business entity with which Franchisee or Franchisor may merge or consolidate, without Landlord’s approval, written or otherwise, and without execution of a guarantee of Franchisor’s obligations thereunder.
- C. Franchisee will, if requested by Franchisor, assign to Franchisor, and Landlord hereby irrevocably and unconditionally consents to such assignment, all of Franchisee’s rights, title and interest to and under the Lease upon any termination or if no successor franchise agreement is executed, but no such assignment will be effective unless: (a) the Franchise Agreement is terminated or expires without execution of a successor franchise agreement; and (b) Franchisor notifies the Franchisee and Landlord in writing that Franchisor assumes Franchisee’s obligations under the Lease.
- D. Franchisor will have the right, but not the obligation, upon giving written notice of its election to Franchisee and Landlord, to cure any breach of the Lease and, if so stated in the notice, to also succeed to Franchisee’s rights, title and interests there under.
- E. The Lease may not be modified, amended, renewed or extended in any manner or assigned by Franchisee without Franchisor’s prior written consent.
- F. Franchisee and Landlord acknowledge and agree that Franchisor will have no liability or obligation whatsoever under the Lease unless and until Franchisor assumes the Lease in writing pursuant to its rights under this Lease Rider. In such case of assignment, Franchisor will assume all of Franchisee’s obligations under the lease from and after the date of assignment, but will have no obligation to pay any delinquent rent or to cure any other default under the lease that occurred or existed prior to the date of the assignment.
- G. If Franchisor assumes the Lease, as above provided, Franchisor may further assign the Lease to another person or entity to operate Franchisee’s CAFÉ MEXICALI Restaurant at the Location, subject to Landlord’s consent which consent will not be unreasonably withheld, conditioned or delayed. Landlord agrees to execute such further documentation to confirm its consent to the assignments and subleases permitted under this Rider as Franchisor may request.

- H. Landlord and Franchisee hereby acknowledge that Franchisee has agreed under the Franchise Agreement that Franchisor and its personnel or agents will have the right to enter the Location for certain purposes. Landlord hereby agrees not to interfere with or prevent such entry by Franchisor, its personnel or agents. Landlord and Franchisee hereby further acknowledge that in the event the Franchise Agreement expires (without execution of a successor franchise agreement) or is terminated; Franchisee is obligated to take certain steps under the Franchise Agreement to de-identify the location as a CAFÉ MEXICALI Restaurant. Landlord agrees to permit Franchisor, its personnel or agents, to enter the Location and remove signs, decor and materials displaying any marks, designs or logos owned by Franchisor, provided Franchisor will bear the expense of repairing any damage to the Location as a result thereof.
- I. Copies of any and all notices required or permitted hereby or by the Lease pursuant to this Lease Rider will also be sent to the party at the addresses set forth below or such other address as a party will specify by written notice to the others.
- J. Under the Franchise Agreement, any lease for the location of Franchisee's CAFÉ MEXICALI Restaurant is subject to Franchisor's approval. Accordingly, the Lease is contingent upon such approval.

[The Signature Page Follows]

IN WITNESS WHEREOF, the undersigned have entered into this Lease Rider as witnessed by their signatures below.

FRANCHISOR
CAFÉ MEXICALI-FRANCHISING, LLC
a Colorado limited liability company

FRANCHISEE

By: _____
Name: _____
Title: _____

By: _____
Name: _____
Title: _____

Date: _____
Date of Franchise Agreement _____

Date: _____

Franchisor's Address for Notice Purposes:

Café Mexicali-Franchising, LLC
1919 65th Avenue, Unit 5
Greeley, Colorado 80634
Email: rick@cafemexicali.com

Franchisee's Address for Notice Purposes:

Attention: _____
Email: _____

LANDLORD:

By: _____
Name: _____
Title: _____
Date: _____

Landlord's Address For Notice Purposes:

Attention: _____
Facsimile: _____
Email: _____

EXHIBIT E

MAP OF TERRITORY

EXHIBIT C
DEVELOPMENT AGREEMENT



**CAFÉ MEXICALI RESTAURANT
DEVELOPMENT AGREEMENT**

DEVELOPMENT AGREEMENT
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Summary Pages

Exhibits:

- A. Personal Guaranty and Principals' Undertaking
- B. Confidentiality Agreement and Covenant Not To Compete
- C. Map of the Development Area (if applicable)

SUMMARY PAGES

Effective Date: _____

Developer: _____

Developer's Corporate Address: _____

Phone Number: _____ Email Address: _____

Controlling Principal: _____

Development Area: _____,

as further reflected on the map attached as Exhibit C (if deemed necessary by Franchisor).

Development Area Rights Fee: \$_____ (calculated based on \$35,000 for the first CAFÉ MEXICALI Restaurant and then \$28,000 for each subsequent CAFÉ MEXICALI Restaurant to be developed pursuant to the Development Schedule, subject to a future credit on Initial Franchise Fees as set forth in Section 7 of this Agreement).

Initial Franchise Fee: \$35,000 for the first, and \$28,000 for each subsequent CAFÉ MEXICALI Restaurant developed pursuant to the Development Schedule and this Agreement (payable in full upon execution of each Franchise Agreement).

Extension Fee: \$1,500 per 75-day extension

Development Schedule:

Restaurant Number	Franchise Agreement Execution Date	Site Approval Date	Required Opening Date	Required Number of Total CAFÉ MEXICALI Restaurants Open
1				
2				
3				
4				

Term: From the Effective Date of this Agreement until the earlier of (i) the Required Opening Date for the last CAFÉ MEXICALI Restaurant Developer is required to open as indicated in the Summary Pages, or (ii) the date Developer's last CAFÉ MEXICALI Restaurant described in the Development Schedule is actually Open and in Operation, unless earlier terminated in accordance with this Agreement.

Transfer Fee: An amount equal to the sum of \$5,000 multiplied by the number of remaining CAFÉ MEXICALI Restaurants to be opened under this Agreement.

Ownership Information and Principals:

The following is a list of Developer's "Principals" which include all stockholders, members, partners, or other interest holders in Developer, including all individuals and entities who own or hold a direct or indirect interest in Developer, and a description of the nature of their interest. Each of the following Principals will

execute the Personal Guaranty and Principals' Undertaking form set forth in Exhibit A unless otherwise agreed by Franchisor:

Name	Address	Percentage of Ownership/Nature of Interest
1.		
2.		
3.		

Addresses for Notices:

Franchisor: Café Mexicali – Franchising, LLC
1919 65th Avenue, Unit 5
Greeley, Colorado 80634
Email: rick@cafemexicali.com

Developer: Developer's Corporate Address shown above.

CAFÉ MEXICALI RESTAURANT DEVELOPMENT AGREEMENT

THIS DEVELOPMENT AGREEMENT (“Agreement”) is entered into by and between Franchisor and Developer and is effective as of the Effective Date.

1. Recitals. Franchisor and its Affiliates have, through the expenditure of time, skill, effort and money, developed the System for the establishment and operation of the CAFÉ MEXICALI Restaurants that offer and sell Approved Supplies, Products and Services. Developer wishes to obtain the right to develop multiple CAFÉ MEXICALI Restaurants within the Development Area. The parties have entered into this Agreement to evidence the terms and conditions of their relationship.

2. Definitions. The following terms are used in this Agreement with the meanings assigned below:

Action means a suit, proceeding, claim, demand, investigation, or inquiry, whether formal or informal.

Affiliate means a Person that controls, is controlled by or is under common control with another Person, either by virtue of equity ownership, by contract or by other means.

Approved Supplies, Products and Services means all approved or permitted leasehold improvements, furniture, fixtures, equipment (including Technology and Information Systems), signage, trade dress, food and beverage supplies, products and menu items and other products and services that are used, offered or sold in CAFÉ MEXICALI Restaurants generally, including Franchisee’s CAFÉ MEXICALI Restaurant. Approved Supplies, Products and Services may include items that are either branded with the Marks or developed, produced, created or manufactured using Franchisor’s or its Affiliates’ proprietary recipes, trade secrets or other Trade Secrets or Confidential Information, and designated as proprietary by Franchisor from time to time in the Brand Standards Manual.

Brand Standards means the mandatory and suggested specifications, standards, operating procedures and rules that Franchisor prescribes from time to time for the development and operation of a CAFÉ MEXICALI Restaurant and any other information Franchisor provides to Developer during the Term relating to Developer’s operation of Developer’s CAFÉ MEXICALI Restaurant or to any other of Developer’s obligations under this Agreement and related agreements, whether or not provided in writing in the Brand Standards Manual.

Brand Standards Manual means and collectively includes all manuals, policy statements, directives, bulletins and memoranda that contain prescribed or recommended standards, procedures, policies and advice (i.e., the Brand Standards) relating to a CAFÉ MEXICALI Restaurant’s operation and management and to marketing the Approved Supplies, Products and Services offered and sold by CAFÉ MEXICALI Restaurants. The Brand Standards Manual discloses certain elements of Franchisor’s proprietary System, and its contents are and will remain Franchisor’s Trade Secrets and exclusive property.

Business Entity means a corporation, a general or limited partnership, a limited liability corporation or any other type of business entity.

CAFÉ MEXICALI Network means all Franchisor-owned or affiliated and franchisee-owned CAFÉ MEXICALI Restaurants in the United States.

Charter Documents means a corporation’s articles of incorporation, by-laws and shareholders agreement (if any); a partnership’s partnership agreement and, in the case of a limited partnership, its articles of limited partnership; a limited liability corporation’s articles of association and regulations or operating agreement; and comparable governing documents of any other type of Business Entity.

Competing Business means any restaurant or food service business whose primary focus is offering and selling Mexican-inspired food and beverage products and restaurant services to third parties through any means of distribution.

Confidential Information means the proprietary and confidential information relating to the development and operation of the CAFÉ MEXICALI Restaurants, which Franchisor owns or is licensed to use and license third parties to use, including:

1. Technology and Information Systems prescribed for use in a CAFÉ MEXICALI Restaurant, including the CAFÉ MEXICALI Operating System (if applicable);
2. Identity of suppliers and knowledge of Brand Standards for and suppliers of Approved Supplies, Products and Services;
3. Methods of scheduling, training and management relating to a CAFÉ MEXICALI Restaurant;
4. The Brand Standards, the Brand Standards Manual, any other proprietary materials and knowledge, know-how or experience used or obtained in developing and operating a CAFÉ MEXICALI Restaurant;
5. Sales, marketing and advertising programs and techniques for a CAFÉ MEXICALI Restaurant;
6. Knowledge of operating results and financial performance of a CAFÉ MEXICALI Restaurant, other than Developer's CAFÉ MEXICALI Restaurants;
7. General Manager, Kitchen Manager and employee recruiting, interviewing, orientation, training and evaluation policies and procedures;
8. Franchisor's culture and all initial and refresher training programs;
9. Site selection criteria, general contractor and architect criteria and Trade Dress for CAFÉ MEXICALI Restaurants, and plans and specification for the development of the Restaurants;
10. Customer Information and other information (including earnings information) regarding Franchisor's personnel and Customers and those of other franchisees and licensees of Franchisor;
11. Developer recruiting methods and procedures, and selection criteria;
12. Business performance measurement systems;
13. Business planning process and procedures used by Franchisor and Developer related to the development of one or more CAFÉ MEXICALI Restaurants; and
14. All other information that Franchisor provides Developer and designates proprietary or confidential, including information provided to Developer through the CAFÉ MEXICALI Intranet.

Confidentiality Agreement and Covenant Not To Compete means the confidentiality agreement and covenant not to compete form attached to this Agreement as Exhibit B.

Control or Controlling Interest means the possession, directly or indirectly, of the power to direct or cause the direction, of the management and policies of an entity, whether through ownership of voting securities, by contract or otherwise.

Controlling Principal means one of the Principals who is appointed by Developer, who meets Developer's requirements and who is approved by Franchisor, and who will supervise and manage all

aspects of Developer's business and with whom Franchisor and its staff may deal exclusively for purposes of administering and coordinating the relationship created by this Agreement. Developer's first Controlling Principal is identified on the Summary Pages.

Copyrighted Materials refers to and includes all versions, variations and adaptations of the following materials in tangible form, either produced by Franchisor, produced on its behalf as works for hire, or derived from works produced by or on behalf of Franchisor: (i) all manuals used in a CAFÉ MEXICALI Restaurant's development, operation and marketing activities, including but not limited to the Brand Standards Manual, (ii) all training and other training materials (including printed, audio, video or electronic materials), (iii) CAFÉ MEXICALI Restaurant plans and specifications, (iv) designs and graphics, (v) product and services identification posters, photographs and graphics, (vi) advertising and marketing materials, (vii) labels, forms and reports provided by Franchisor, (viii) any proprietary computer software developed for use in the operation of a CAFÉ MEXICALI Restaurant, including but not limited to the CAFÉ MEXICALI Operating System, (ix) all Trade Dress and Trade Dress elements for the furniture, fixtures, equipment, signage, Approved Supplies, Products and Services for the CAFÉ MEXICALI Restaurant, and (x) any other materials protected by copyright law or marked or identified by Franchisor as protected by copyright.

Crisis Management Event means any event that occurs at or otherwise involves a CAFÉ MEXICALI Restaurant premises, or that occurs generally at a local, regional, national or even global scale, which has or may cause harm or injury to customers or employees, such as contagious diseases, natural disasters, terrorist acts, shootings or other acts of violence, food borne illnesses, or any other similar circumstance which may materially and adversely affect the System or the goodwill symbolized by the Marks.

Customer is a paying or other customer of the CAFÉ MEXICALI Restaurant who purchases or considers purchasing products or services at a Restaurant.

Customer Information means any information that: (i) can be used (alone or when used in combination with other information within Developer's control) to identify, locate or contact an individual; or (ii) pertains in any way to an identified or identifiable individual. Customer Information can be in any media or format, including computerized or electronic records as well as paper-based files.

Developer means the developer identified on the Summary Pages.

Developer's Corporate Address means the developer's address identified on the Summary Pages.

Development Area Rights Fee means the Development Area Rights Fee identified on the Summary Pages paid in connection with the reservation of rights to the Development Area set forth in this Agreement.

Development Schedule means the schedule pursuant to which the Developer must establish CAFÉ MEXICALI Restaurants as set forth in the Summary Pages to this Agreement.

Dispute means any claim, controversy or dispute that arises under, or in relation to, this Agreement or concerns the relationship created by this Agreement.

Dollar or \$ means currency of the United States of America.

Effective Date means the date Franchisor signs the Agreement, as indicated on the Summary Pages and/or in its signature block.

Event of Force Majeure means acts of God, strikes, war, riot, epidemic, pandemic, fire or other natural catastrophe, terrorist acts or government actions resulting from terrorist acts, or other similar extraordinary or unnatural forces beyond Developer's or Franchisor's control which, as applicable, materially and adversely affect Developer's ability to comply with the Development Schedule or which effect Franchisor's ability to perform its obligations under this Agreement.

Event of Default means any breach of this Agreement, including, without limitation, those breaches listed in this Agreement.

Extension Fee means a fee payable to Franchisor in connection with a request for an extension of the time period to comply with the Development Schedule with respect to a specific CAFÉ MEXICALI Restaurant required to be developed pursuant to this Agreement.

Franchise means the right to develop CAFÉ MEXICALI Restaurants pursuant to this Agreement and/or the right to operate a specific CAFÉ MEXICALI Restaurant at a defined Restaurant Address within a defined Territory, as more fully described in the CAFÉ MEXICALI Restaurant Franchise Agreement.

Franchisor means Café Mexicali - Franchising, LLC, a limited liability company organized under the laws of the State of Colorado, or its successors and assigns to this Agreement.

Indemnified Parties means Franchisor, its Affiliates, and their respective officers, directors, shareholders, partners, members, agents, representatives, independent contractors, attorneys, accountants, employees, successors and assigns.

Initial Franchise Fee means the initial franchise fee payable under each CAFÉ MEXICALI Restaurant Franchise Agreement executed or to be executed pursuant to this Agreement.

Losses and Expenses means all compensatory, exemplary, incidental, consequential, or punitive damages (including lost profits); all fines, charges, costs, or expenses imposed by courts or other governmental authorities or by arbitrators; reasonable attorneys' fees and all court or arbitration costs, settlement amounts, or judgments relating to litigation or arbitration; compensation for damages to Franchisor's reputation and goodwill; costs of or resulting from Developer's delays, costs of any necessary corrective advertising material and media time/space, and costs of changing, substituting, or replacing advertising; and all expenses of recall, refunds, compensation to third parties, public notices, and other similar amounts incurred in connection with the matters for which Losses and Expenses are to be paid.

Marks refers to and includes (i) the "Café Mexicali" service marks and logos, (ii) the "Café Mexicali" trade name, (iii) the elements and components of a CAFÉ MEXICALI Restaurant's Trade Dress, and (iv) any and all additional, different or replacement trade names, trademarks, service marks, logos and slogans that Franchisor adopts from time to time to identify the System and the products and services offered by CAFÉ MEXICALI Restaurants.

Open and in Operation means that Franchisor has approved the opening of Developer's CAFÉ MEXICALI Restaurant and Developer's Restaurant is open to and servicing the general public.

Ownership Interest means any direct or indirect, legal or beneficial ownership interest of any type, including but not limited to (a) in relation to a corporation, the ownership of shares in the corporation; (b) in relation to a partnership, the ownership of a general partner or limited partnership interest; (c) in relation to a limited liability corporation, the ownership of a membership interest; or (d) in relation to a trust, the ownership of the beneficial interest of such trust.

Permanent Disability means any physical, emotional or mental injury, illness or incapacity that would prevent an individual from performing the obligations set forth in this Agreement or in the Personal Guaranty and Principals' Undertaking for at least 90 consecutive days, and from which condition recovery within 90 days from the date of determination of disability is unlikely. If the parties disagree as to whether an individual is permanently disabled, the existence of permanent disability will be determined by a licensed practicing physician selected by Franchisor, upon examination of the individual; or if the individual refuses to submit to an examination, then the individual automatically will be considered permanently disabled as of the date of refusal. The costs of any such examination will be paid by Franchisor.

Person means an individual or a Business Entity.

Personal Guaranty and Principals' Undertaking means the Personal Guaranty and Principals' Undertaking attached to this Agreement at Exhibit A.

Principal means collectively or individually, all officers and directors of Developer or any Affiliate of Developer and Persons holding a direct or indirect interest in Developer or in any Affiliate of Developer, in this Agreement or any interest in or right under this Agreement as designated by Franchisor. The initial Principals are listed on the Summary Pages to this Agreement.

Prospectus means a statutory prospectus (preliminary or final), a private placement memorandum or any similar document that a company may use to convey information about Securities Offering.

Required Number of Total Operating CAFÉ MEXICALI Restaurants means the number of the CAFÉ MEXICALI Restaurants required to be Open and Operating as described in the Development Schedule set forth in the Summary Pages.

Required Opening Date means the specific date by which each CAFÉ MEXICALI Restaurant is required to be open and operating to paying Customers in accordance with the Development Schedule set forth in the Summary Pages.

Restaurants or CAFÉ MEXICALI Restaurants means businesses operating under the “CAFÉ MEXICALI” trademarks and offering high quality Mexican-inspired food and beverages and providing restaurant services to customers.

Securities Offering means a public offering or private placement of any equity or debt securities or of any securities convertible into or exchangeable for equity securities by Developer or, if any of the proceeds of the offering are to be invested in or loaned to Developer, or if the Prospectus an Affiliate uses in connection with the offering mentions Franchisor or describes the relationship between Franchisor and Developer, by any Affiliate of Developer.

Site Approval Date means the date that Developer must acquire by purchase or lease the premises for each CAFÉ MEXICALI Restaurant described in the Development Schedule set forth in the Summary Pages, which date will be designed by Franchisor in its sole discretion and which will generally be within 90 days of the execution of the Franchise Agreement for the CAFÉ MEXICALI Restaurant.

Social Media means any and all existing or future forms of electronic communication, whether for business or personal use (including via internet forums, weblogs, social blogs, wikis, podcasts, pictures and videos) through which users create or use online networks or communities (including but not limited through online communities such as Facebook, Twitter, Instagram, Snapchat, LinkedIn, YouTube, Yelp or Wikipedia and other similar content sharing outlets) to share information, ideas, personal messages, and other online content.

Special Facilities mean both (a) an express unit, a mini- CAFÉ MEXICALI Restaurant, or similar fixed installation that contains all necessary items to offer and sell a full or limited range of Approved Supplies, Products and Services, and is located in an airport, sports arena, train or bus station, theme park, military base, higher education campus, office building, convention centers or other special use facility (excluding enclosed shopping malls); and (b) a kiosk, booth, mobile dispensing unit (such as a cart or customized RV) or other mobile installation at or from which select Approved Supplies, Products and Services may be sold to Customers, any of which may operate on a permanent, temporary or seasonal basis.

Summary Pages means the pages that appear at the beginning of this Agreement that summarizes certain key information concerning the parties' relationship and the terms of this Agreement.

System means development guidelines, opening guidelines, operational guidelines, initial and ongoing training programs, business methods, designs, arrangements and Brand Standards for developing and operating CAFÉ MEXICALI Restaurants, including those pertaining to site selection, conversion, construction, exterior and interior building design, layouts, leasehold improvements, furniture, fixtures,

equipment, signage, trade dress, food and beverage supplies and products and other products and services that are used, offered or sold in CAFÉ MEXICALI Restaurants generally, methods of inventory control and requirements and policies regarding personnel, accounting and financial performance, advertising and marketing programs and information and technology systems, all of which Franchisor may improve, further develop or otherwise modify from time to time.

Trade Dress means decorative, non-functional components of a CAFÉ MEXICALI Restaurant premises that provide the establishment a distinctive, memorable appearance.

Trade Secrets means the components of the System, the contents of the Brand Standards and of all employee training materials and computer programs developed by Franchisor or in accordance with its Brand Standards, Confidential Information and any other confidential information that Franchisor imparts to Developer with respect to a CAFÉ MEXICALI Restaurant's operation or management, whether through the Brand Standards or otherwise.

Transfer means the voluntary, involuntary, direct or indirect sale, assignment, transfer, license, sublicense, sublease, collateral assignment, grant of a security, collateral or conditional interest, inter-vivos transfer, testamentary disposition or other disposition of (1) the Franchise, this Agreement or any interest in or right under this Agreement, or of all or substantially all of the assets of Developer's CAFÉ MEXICALI Restaurants or in an interest therein, including (a) any transfer in, or as a result of, a divorce, insolvency, dissolution proceeding or otherwise by operation of law; (b) any transfer upon Developer's death or the death of any of the Principals by will, declaration of or transfer in trust or under the laws of intestate succession; or (b) any foreclosure upon Developer's Restaurants or the transfer, surrender or loss by Developer of possession, control or management of Developer's Restaurants or (2) of any direct or indirect Ownership Interest in Developer or the revenues or income of Developer's Restaurants, including (a) any transfer, redemption or issuance of a legal or beneficial Ownership Interest in Developer or any Business Entity that has an Ownership Interest in Developer or of any interest convertible to or exchangeable for a legal or beneficial Ownership Interest in Developer or any Business Entity that has an Ownership Interest in Developer; (b) any merger or consolidation between Developer or any Business Entity that has an Ownership Interest in Developer and another Business Entity, whether or not Developer is the surviving Business Entity; (c) any transfer in, or as a result of, a divorce, insolvency, dissolution proceeding or otherwise by operation of law; (d) any transfer upon Developer's death or the death of any of the Principals by will, declaration of or transfer in trust or under the laws of intestate succession; or (3) any foreclosure upon Developer's Restaurants or the transfer, surrender or loss by Developer of possession, control or management of Developer's Restaurants. No Person (including any employee or independent contractor) may hold any Ownership Interest in Developer's Restaurants other than an undivided interest in the Franchise as a whole, and then only in compliance with the transfer restrictions in this Agreement.

Transfer Fee means the transfer fee identified on the Summary Pages.

3. Area Development Rights.

(a) Subject to the terms and conditions of this Agreement and in consideration of the Development Area Rights Fee Developer pays in accordance with Section 7, Franchisor grants to Developer the right, and Developer undertakes the obligation, to develop and have Open and in Operation in the Development Area the total number of the CAFÉ MEXICALI Restaurants indicated in the Development Schedule.

(b) To obtain the Franchise for each CAFÉ MEXICALI Restaurant described in the Development Schedule, Developer must satisfy the Conditions as set forth below and otherwise in this Agreement:

“Operational”: Developer and its Affiliates are in compliance with any existing CAFÉ MEXICALI Restaurant Franchise Agreements, this Agreement and any other agreement between Developer or its Affiliates and Franchisor or its Affiliates. Developer is conducting the operation of its existing CAFÉ

MEXICALI Restaurants, if any, and is capable of conducting the operation of the proposed CAFÉ MEXICALI Restaurant (a) in accordance with the terms and conditions of this Agreement, (b) in accordance with the provisions of the respective CAFÉ MEXICALI Restaurant Franchise Agreements, and (c) in accordance with the Brand Standards as such Brand Standards Manual may be amended from time to time, or otherwise in writing.

“Financial”: Developer and the Principals satisfy Franchisor’s then-current financial criteria for developers and principals of the CAFÉ MEXICALI Restaurants with respect to Developer’s operation of its existing Restaurants, if any, and the proposed Restaurant. No Event of Default relating to any monetary obligations owed to Franchisor or its Affiliates under this Agreement, any CAFÉ MEXICALI Restaurant Franchise Agreement or other agreement between Developer or any of its Affiliates and Franchisor or any of its Affiliates either has (i) occurred and is continuing or (ii) occurred during the 12 months preceding Developer’s request for consent, whether or not such Event of Default was cured or curable.

“Legal”: Developer has submitted to Franchisor, in a timely manner, all information and documents requested by Franchisor prior to and as a basis for the issuance of individual Franchises or pursuant to any right granted to Developer by this Agreement or by any CAFÉ MEXICALI Restaurant Franchise Agreement, and has taken such additional actions in connection therewith as may be requested by Franchisor from time to time. Developer and Principals have been and are faithfully performing all terms and conditions of this Agreement, each of the existing CAFÉ MEXICALI Restaurant Franchise Agreements and any other agreement among Franchisor, Developer or any of their respective Affiliates.

(c) To retain the right to develop the total number of the CAFÉ MEXICALI Restaurants indicated in the Development Schedule in the Development Area, Developer must comply with all terms and conditions of this Agreement, including the development procedures requirements of this Agreement for each CAFÉ MEXICALI Restaurant.

(d) Subject to earlier termination in accordance with this Agreement, this Agreement and Developer’s development rights will continue for the Term. After this Agreement and Developer’s development rights terminate or expire, except as provided in any CAFÉ MEXICALI Restaurant Franchise Agreement, Franchisor may grant franchises and development rights to other Persons and may operate its own CAFÉ MEXICALI Restaurants in the Development Area.

4. Business Entity Requirements. If Developer is a Business Entity, the following requirements apply:

(a) Developer must be properly organized and in good standing under applicable law, and its Charter Documents must provide that Developer’s purposes and activities are restricted exclusively to developing and operating CAFÉ MEXICALI Restaurants.

(b) True, complete and duly authenticated copies of Developer’s Charter Documents and of a resolution of Developer’s board of directors, general partner or other managing body authorizing Developer to enter into and perform this Agreement must be furnished to Franchisor prior to the execution of this Agreement.

(c) Developer’s Charter Documents will impose Transfer restrictions that give effect to the Transfer rights and obligations in this Agreement, and each certificate representing an Ownership Interest in Developer will contain or have conspicuously noted upon its face a statement in a form satisfactory to Franchisor to the effect that any assignment or Transfer of the certificate is subject to all restrictions this Agreement imposes on Transfers.

(d) Developer will maintain a list of all record and beneficial owners of Ownership Interests in Developer and will furnish a current version of the list to Franchisor between December 15th and 31st of each year and upon request.

(e) Developer will appoint one Principal who is approved by Franchisor to be the Controlling Principal. The Controlling Principal will be Developer's main contact with Franchisor regarding Developer's business. If the initial or any successor Controlling Principal resigns or otherwise leaves Developer's employment, Developer will notify Franchisor within 5 days and appoint a suitably qualified replacement Controlling Principal within a reasonable time which will in no case exceed 30 days from the date of departure of such prior Controlling Principal.

5. CAFÉ MEXICALI Restaurant Development Procedures.

(a) Developer must have Open and in Operation in the CAFÉ MEXICALI Restaurant Development Area in accordance with and pursuant to fully executed CAFÉ MEXICALI Restaurant Franchise Agreements, the cumulative number of the CAFÉ MEXICALI Restaurants set forth in the Development Schedule by the corresponding dates set forth therein. Developer will execute a CAFÉ MEXICALI Restaurant Franchise Agreement for the first Restaurant described in the Development Schedule contemporaneous with the execution of this Agreement. With respect to each additional S Restaurant, Developer will notify Franchisor in writing between 45 and 60 days before the next applicable CAFÉ MEXICALI Restaurant Franchise Agreement Execution Date that Developer is ready to execute a CAFÉ MEXICALI Restaurant Franchise Agreement, and will provide to Franchisor such information and documentation that Franchisor deems necessary to timely prepare a CAFÉ MEXICALI Restaurant Franchise Agreement for the Restaurant. Developer will execute Franchisor's then-current form of the CAFÉ MEXICALI Restaurant franchise agreement not later than the applicable CAFÉ MEXICALI Restaurant Franchise Agreement Execution Date described in the Development Schedule. Developer acknowledges and agrees that Franchisor's then-current form of the CAFÉ MEXICALI Restaurant franchise agreement may differ materially from its current form of the CAFÉ MEXICALI Restaurant franchise agreement, including, without limitation, additional and increased fees, rights or obligations. Developer further agrees and acknowledges that Developer is solely responsible for notifying Franchisor of its desire to execute a CAFÉ MEXICALI Restaurant Franchise Agreement for a Restaurant on a timely basis to enable Developer to comply with the Development Schedule. Franchisor will not be responsible for any delays in connection with the delivery of a CAFÉ MEXICALI Restaurant Franchise Agreement to Developer before or after execution by the parties, or for any failure by Developer to comply with the Development Schedule as a result of any such delay.

(b) Notwithstanding the terms and conditions of each CAFÉ MEXICALI Restaurant Franchise Agreement, Developer will purchase or lease the premises for each Restaurant to be developed pursuant to this Agreement on or before the Site Approval Date contained in the Development Schedule, but in no event prior to the date the applicable CAFÉ MEXICALI Restaurant Franchise Agreement is fully executed.

(c) At Franchisor's discretion, Franchisor may provide the Controlling Principal with one day of development training at Franchisor's headquarters in or near Greeley, Colorado to generally familiarize Developer with Franchisor's CAFÉ MEXICALI Restaurant development and opening process. Developer will be solely responsible for all of the Controlling Principal's expenses to attend development training, including air and ground transportation, meals and lodging.

(d) At such time that Developer or its Affiliates signs a CAFÉ MEXICALI Restaurant Franchise Agreement for a third Restaurant, Franchisor will have the right to require that Developer employ and retain a multi-unit supervisor who will be approved by Franchisor, who will successfully complete Franchisor's then current initial training for multi-unit supervisors (subject to Franchisor's then current training costs) and who will be charged with oversight of the Restaurants. Franchisor reserves the right to require additional district managers or multi-unit supervisors to be employed and retained as additional CAFÉ MEXICALI Restaurant Franchise Agreements in multiples of three are executed by Developer or its Affiliates.

6. Restaurant Development Extensions.

(a) If Developer is unable to adhere to the Development Schedule, Developer may apply for one (but only one) extension of the Franchise Agreement Execution Date, Site Approval Date, or Required Opening Date for each Restaurant to be developed. If the grounds for the extension is an Event of Force Majeure, each extension will be for a period of not more than 180 days. If the grounds for the extension is any reason other than Force Majeure, the extension will be for a period of not more than 75 days. To obtain an extension, Developer must request it in writing not later than 15 days before the relevant CAFÉ MEXICALI Restaurant Franchise Agreement Execution Date, Site Approval Date, or Required Opening Date. Franchisor will grant the extension if Developer has made a good faith effort to comply with the development requirements of this Agreement, but has experienced delays beyond Developer's reasonable control and pays the Extension Fee described in the Summary Pages.

(b) An extension obtained under this Section will apply only to Developer's CAFÉ MEXICALI Restaurant for which Developer obtained it; an extension will not delay the CAFÉ MEXICALI Restaurant Franchise Agreement Execution Date, Site Approval Date or the Required Opening Date of any subsequent Restaurant.

(c) Upon the occurrence of a Crisis Management Event, Developer must immediately inform Franchisor by telephone or electronic means, must cooperate fully with Franchisor with respect to Franchisor's response to the Crisis Management Event and must implement such remediation plan as may be instituted by Franchisor, which may include Franchisor requiring a temporary cessation of Developer's development of CAFÉ MEXICALI Restaurants as part of the Crisis Management Event remediation plan.

7. Fees.

(a) When Developer signs this Agreement, Developer must pay Franchisor the Development Area Rights Fee for the development rights. The Development Area Rights Fee is fully earned by Franchisor in consideration of the reservation of rights to the Development Area set forth in this Agreement and is not refundable, but may be credited to the Initial Franchise Fees payable by Developer or its Affiliates for each CAFÉ MEXICALI Restaurant as set forth below in Section 7(b).

(b) Developer will pay to Franchisor the Initial Franchise Fee due under each Franchise Agreement executed pursuant to this Agreement, subject to a pro rata credit of \$35,000 on the Initial Franchise Fee for the first CAFÉ MEXICALI Restaurant and then \$28,000 on the Initial Franchise Fee for the second and each subsequent Franchise Agreement based on Developer's actual payment of the Development Area Rights Fee in accordance with Section 7(a) above. Unless otherwise agreed by Franchisor, contemporaneous with the execution of this Agreement, Developer will execute a CAFÉ MEXICALI Restaurant Franchise Agreement for the first Restaurant described in the Development Schedule, and will pay to Franchisor the Initial Franchise Fee described above.

8. Competitive Protection; Territorial Scope of Development Rights.

(a) So long as Developer, its Affiliates and the Principals are in full compliance with this Agreement and all other agreements between Developer, its Affiliates and the Principals and Franchisor or its Affiliates, then Franchisor will not operate or authorize anyone except Developer to commence operation of a full size CAFÉ MEXICALI Restaurant from a fixed, physical bricks and mortar retail premises located within the Development Area.

(b) Franchisor and its Affiliates (and their respective successors and assigns, by purchase, merger, consolidation or otherwise) reserve all rights that this Agreement does not expressly grant to or confer upon Developer, including, without limitation and notwithstanding Section 8(a) above:

(i) The right to establish and operate and license others to establish and operate Special Facilities inside or outside the Development Area, regardless of proximity to or competitive impact upon the CAFÉ MEXICALI Restaurants.

(ii) The right to establish, operate and license others to establish and operate CAFÉ MEXICALI Restaurants at fixed, physical bricks and mortar retail premises located anywhere other than within the Development Area, regardless of proximity to or competitive impact upon Developer's Restaurants and regardless of whether these establishments market their products and services in, or draw Customers from, areas in or around the Development Area.

(iii) The right to distribute private label or pre-packaged Approved Supplies, Products and Services, apparel, memorabilia, and other related products and merchandise, whether or not identified by or associated with the Marks, to or through any fixed, physical bricks and mortar retail premises that are not affiliated with Franchisor or associated with the CAFÉ MEXICALI Network, including (for example) department stores, supermarkets and convenience stores, anywhere other than at Developer's Restaurant Addresses, regardless of proximity to or competitive impact upon Developer's CAFÉ MEXICALI Restaurants.

(iv) The right to distribute private label or pre-packaged Approved Supplies, Products and Services, apparel, memorabilia, and other related products and merchandise whether or not identified by or associated with the Marks, to all Persons anywhere other than at Developer's Restaurant Addresses through catalogues, telemarketing campaigns, an internet website and other direct-order techniques.

(v) The right to broadcast television and radio commercials for direct-order merchandise, initiate internet or telephone contact with and accept internet or telephone orders, and fill orders for direct-order merchandise anywhere other than at Developer's Restaurant Addresses, regardless of proximity to or competitive impact upon Developer's CAFÉ MEXICALI Restaurants.

(vi) The right to operate, and grant to others the right to operate, restaurant or food service businesses or other types of retail restaurant or food service-related businesses identified by tradenames, trademarks, service marks or trade dress, other than the Marks, pursuant to such terms and conditions as Franchisor deems appropriate, anywhere other than at Developer's Restaurant Addresses, and regardless of proximity to or competitive impact upon Developer's CAFÉ MEXICALI Restaurants.

(vii) The right to advertise and promote sales of any products and/or services (including those offered by CAFÉ MEXICALI Restaurants) anywhere, and advertise and promote franchises for CAFÉ MEXICALI Restaurants anywhere, regardless of proximity to or competitive impact upon Developer's Restaurants.

(viii) The right to acquire or be acquired by (regardless of the form of the transaction) a business which operates or licenses others to operate restaurant or food service businesses or other types of retail restaurant or food service-related businesses, and Franchisor, its Affiliates or any successors or assigns will have the right to operate and/or license others to operate such restaurant or food service businesses or other types of retail restaurant or food service-related businesses under the trademarks or service marks of such other restaurant or food service or other retail restaurant or food service-related businesses at, from and/or physically contiguous to such businesses premises or anywhere else, regardless of proximity to or competitive impact upon Developer's CAFÉ MEXICALI Restaurants.

(c) Developer acknowledges and agrees that Franchisor has no express obligation or implied duty to insulate or protect Developer's revenues from erosion as the result of Developer's CAFÉ MEXICALI Restaurants competing with other restaurant or food service businesses in the ways and to the extent this Section provides or contemplates. Developer expressly waives and relinquishes any right to assert any claim against Franchisor based on the existence, actual or arguable, of any such obligation or duty.

(d) If Developer is a Business Entity, Developer acknowledges and agrees that no individual, including the Principals and employees of the CAFÉ MEXICALI Restaurants developed under this Agreement, has, and no provision of this Agreement confers, any personal right to use the Marks at or from any location for any purpose, including on Social Media. Developer agrees to immediately notify

Franchisor if Developer becomes aware of such use of the Marks. Developer will take all reasonable actions required by Franchisor to eliminate such use of the Marks and will reimburse Franchisor for any expense incurred by Franchisor as a result of such use of the Marks.

9. Indemnification.

(a) Developer and the Principals, jointly and severally, will, at all times and to the fullest extent permitted by law, indemnify the Indemnified Parties from and defend them against all Losses and Expenses of any of the Indemnified Parties that arise out of or are based upon any of the following: (1) any violation or breach by Developer, or any of its Affiliates or Principals, of any warranty, representation, agreement or obligation in this Agreement or other agreement between Developer or its Affiliates and any of the Indemnified Parties, (2) any acts, errors, or omissions of Developer, its Affiliates, its Principals and their respective owners, officers, employees, agents and representatives, in connection with the performance of the development activities contemplated by this Agreement or the establishment and operation of the CAFÉ MEXICALI Restaurants pursuant to this Agreement; and (3) any and all encumbrances, liens, assessments, levies, charges, surcharges, demands for payment, taxes or any other liabilities imposed on Franchisor or on or as a result of any payment due to or paid to Franchisor under this Agreement, by any taxing authority or any political subdivision, instrumentality, agency or other body of any governmental or taxing authority.

(b) Developer and each of the Principals agree to give Franchisor immediate notice of any Action subject to indemnification under this Section. At the expense and risk of Developer and each of the Principals, Franchisor may elect to control (but under no circumstance is obligated to undertake), and associate counsel of its own choosing with respect to, the defense and/or settlement of any such Action. Such an undertaking by Franchisor will, in no manner or form, diminish the obligation of Developer and each of the Principals to indemnify the Indemnified Parties and to hold them harmless.

(c) In order to protect persons or property or the reputation or goodwill of itself or others, Franchisor may, at any time and without notice, as it deems appropriate, consent or agree to settlements or take such other remedial or corrective action as it deems expedient with respect to the Action if, in Franchisor's judgment, there are grounds to believe that:

- (i) Any of the acts or circumstances enumerated in this Section has occurred; or
- (ii) Any act, error or omission as described in this Section may result directly or indirectly in damage, injury or harm to any Person or any property.

(d) All Losses and Expenses incurred under this Section will be chargeable to and paid by Developer or any of the Principals pursuant and subject to their respective obligations of indemnity under this Section, regardless of any action, activity, or defense undertaken by Franchisor or the subsequent success or failure of that action, activity, or defense.

(e) THE INDEMNIFIED PARTIES DO NOT ASSUME ANY LIABILITY WHATSOEVER FOR ACTS, ERRORS, OR OMISSIONS OF THOSE WITH WHOM DEVELOPER, ANY OF ITS AFFILIATES OR ANY OF THE PRINCIPALS, MAY CONTRACT. DEVELOPER AND EACH OF DEVELOPER'S PRINCIPALS THAT EXECUTES THE PERSONAL GUARANTY AND PRINCIPALS' UNDERTAKING WILL HOLD HARMLESS AND INDEMNIFY THE INDEMNIFIED PARTIES FROM ALL LOSSES AND EXPENSES THAT MAY ARISE OUT OF ANY ACTS, ERRORS, OR OMISSIONS OF DEVELOPER, ITS AFFILIATES AND PRINCIPALS AND ANY SUCH THIRD PARTIES, WITHOUT LIMITATION AND WITHOUT REGARD TO THE CAUSE OR CAUSES OF THE ACTS, ERRORS OR OMISSIONS OR THE NEGLIGENCE (WHETHER THAT NEGLIGENCE IS SOLE, JOINT, OR CONCURRENT, AND WHETHER ACTIVE OR PASSIVE) OR STRICT LIABILITY OF ANY OF THE INDEMNIFIED PARTIES OR ANY OTHER PARTY OR PARTIES ARISING IN CONNECTION THEREWITH, IN CONNECTION WITH THE ESTABLISHMENT AND OPERATION OF THE RESTAURANTS, INCLUDING, BUT NOT LIMITED TO, ANY ACTS, ERRORS OR OMISSIONS OF ANY OF THE FOREGOING IN THE OPERATION OF ANY MOTOR VEHICLE, IN

THE ESTABLISHMENT OR IMPLEMENTATION OF SECURITY FOR THE RESTAURANTS, IN THE USE OF ANY INTERNET SITE OR INTRANET NETWORK DEVELOPED BY FRANCHISOR, ACTS OF ANY THIRD PARTIES, OR ACTS OR CLAIMS ARISING FROM THIS AGREEMENT.

10. Confidentiality; Covenant Against Competition.

(a) Developer and the Principals acknowledge that the System and the Trade Secrets belong exclusively to Franchisor and that, as between Franchisor, Developer and the Principals, the ideas and information in the Brand Standards are Franchisor's sole and exclusive property. Developer and the Principals further acknowledge that the unauthorized disclosure or use of any confidential element of the System, any Trade Secret or any other information the Brand Standards contains may adversely affect the business, competitive position and goodwill of Franchisor and its franchisees. Accordingly, Developer and the Principals will hold the elements of the System, the Trade Secrets and the contents of the Brand Standards in strict confidence, will not disclose any Trade Secret or any operating or management procedure to any Person other than the bona fide employees to whom such disclosure is necessary in relation to their job duties, and will instruct and routinely remind Developer's employees that the System, the Trade Secrets and the contents of the Brand Standards are confidential and may not be disclosed or appropriated. The obligations of Developer and the Principals relating to the System, any Trade Secret and any other information contained in the Brand Standards will survive the expiration or termination of this Agreement and will be perpetually binding upon Developer and the Principals.

(b) In consideration of Franchisor's granting development rights to Developer and disclosing to Developer the System and other Trade Secrets, Developer and the Principals covenant and agree that, during the Term, Developer and the Principals will not own, operate, or develop, directly or indirectly, or accept employment by or hold an Ownership Interest in any Competing Business, except as a Developer of Franchisor, which is located (i) at the Restaurant Address of any CAFÉ MEXICALI Restaurant developed pursuant to this Agreement; or (ii) within the Development Area, or (iii) within 20 miles of the perimeter of the Development Area, or (iv) within, and within 20 miles of the perimeter of, the "Development Area" or "Territory" of any other CAFÉ MEXICALI Restaurant (or if a Restaurant has no Territory, then within 25-miles of such Restaurant); or (v) within the "Development Area" of any other CAFÉ MEXICALI System franchisee; (vi) within the United States of America; or (vii) within the world.

(c) In addition, Developer and the Principals covenant and agree that, for two years after the expiration or termination of this Agreement (or for Principals, after such person ceases to be a Principal), Developer and the Principals will not own, operate, or develop, directly or indirectly, or accept employment by or hold an interest in any Competing Business except as a Franchisee of Franchisor, which is located (i) at the Restaurant Address of any existing or former CAFÉ MEXICALI Restaurant developed pursuant to this Agreement; or (ii) within the former Development Area, or (iii) within, and within 20 miles of the perimeter of, the former Development Area, or (iv) within, and within 20 miles of the perimeter of, the "Territory" of any other CAFÉ MEXICALI Restaurant (or if a Restaurant has no designated Territory, then within 25-miles of such Restaurant). For purposes of calculating the duration of the two-year period, any time during which Franchisee or the Principals (as applicable) are in violation or breach of the covenant will be excluded.

(d) Developer and the Principals acknowledge that Developer's and the Principals' covenant not to compete is reasonable and necessary to protect the business and goodwill of the CAFÉ MEXICALI Franchise Network and to avoid misappropriation or other unauthorized use of the System and Franchisor's other Trade Secrets. Developer and the Principals acknowledge and confirm that Developer and the Principals possess the education, training and experience necessary to earn a reasonable livelihood apart from operating or developing a Competing Business or other similar business.

(e) The parties agree that the foregoing covenants will be construed as independent of any other covenant or provision of this Agreement. If all or any portion of a covenant in this Section is held unreasonable or unenforceable by a court or agency having valid jurisdiction in an unappealed final decision

to which Franchisor is a party, Developer and the Principals expressly agree to be bound by any lesser covenant subsumed within the terms of such covenant that imposes the maximum duty permitted by law, as if the resulting covenant were separately stated in and made a part of this Section.

(f) Developer and the Principals understand and acknowledge that Franchisor will have the right to reduce the scope of any covenant set forth in this Section, or any portion thereof, without their consent, effective immediately upon notice to Developer; and Developer and the Principals agree that they will comply forthwith with any covenant as so modified, which will be fully enforceable in all cases.

(g) Developer and the Principals expressly agree that the existence of any claims that any of them may have against Franchisor, whether or not arising from this Agreement, shall not constitute a defense to the enforcement by Franchisor of the covenants in this Section. Developer and the Principals agree to pay all costs and expenses (including reasonable attorneys' fees) incurred by Franchisor in connection with the enforcement of this Section against any of them.

(h) Developer and the Principals further acknowledge that a violation of the terms of this Section would result in irreparable injury to Franchisor for which no adequate remedy at law may be available, and Developer and the Principals accordingly consent on their behalf to the issuance of an injunction prohibiting any conduct by any of them in violation of the terms of this Section.

(i) At Franchisor's request, Developer shall require and obtain execution of covenants similar to those set forth in this Section (including covenants applicable upon termination of a Person's relationship with Developer) from each and every Principal and any other Person who has received or shall receive training or confidential information from Franchisor. The covenants required by this Section shall be substantially in the form contained in Exhibit B. Failure by Developer to obtain execution of agreements containing the covenants required by this Section shall constitute an Event of Default under Section 12.

11. Terrorist and Money Laundering Activities. Developer and the Principals represent and warrant to Franchisor that neither Developer, nor any Principal, nor any of their respective Affiliates is identified, either by name or an alias, pseudonym or nickname, on the lists of "Specially Designated Nationals" or "Blocked Persons" maintained by the U.S. Treasury Department's Office of Foreign Assets Control (texts currently available at www.treas.gov/offices/enforcement/ofac/). Further, Developer and the Principals represent and warrant that neither they nor any Principal or Affiliate referred to above has violated, and each of them agrees not to violate, any law prohibiting corrupt business practices, money laundering or the aid or support of Persons who conspire to commit acts of terror against any Person or government, including acts prohibited by the U.S. Patriot Act (text currently available at <http://www.epic.org/privacy/terrorism/hr3162.html>), U.S. Executive Order 13224 (text currently available at <http://www.treas.gov/offices/enforcement/ofac/legal/eo/13224.pdf>), or any similar law. The foregoing constitute continuing representations and warranties, and Developer and the Principals will immediately notify Franchisor in writing of the occurrence of any event or the development of any circumstance that might render any of the foregoing representations and warranties false, inaccurate or misleading.

12. Default and Termination. If Developer or any Principal:

(a) Purchases or signs a lease for any site for a potential CAFÉ MEXICALI Restaurant premises without express written authorization from Franchisor or otherwise proceeds with development of a Restaurant before signing a CAFÉ MEXICALI Restaurant Franchise Agreement or paying the Initial Franchise Fee for Developer's Restaurant without express written authorization from Franchisor;

(b) Fails to open any CAFÉ MEXICALI Restaurant in compliance with this Agreement on or before its Required Opening Date (taking into account any extension of that date that Developer obtains pursuant to this Agreement);

(c) Fails to timely purchase or lease the site for a Restaurant in compliance with this Agreement on or before its required Site Approval Date (taking into account any extension of that date that Developer obtains pursuant to this Agreement);

(d) Without Franchisor's express prior written permission, fails to have Open and Operating in the Development Area the cumulative total number of the Restaurants indicated in the "Required Number of Operating Restaurants" column of the Development Schedule as of the Required Opening Date of any Restaurant (taking into account any extension of a particular Restaurant's Required Opening Date, Site Approval Date and/or Required Opening Date that Developer obtains pursuant to this Agreement);

(e) Allows any CAFÉ MEXICALI Restaurant Franchise Agreement to be terminated for cause;

(f) Allows an Event of Default to occur under any CAFÉ MEXICALI Restaurant Franchise Agreement that is not cured by the end of the related remedial period provided in the CAFÉ MEXICALI Restaurant Franchise Agreement;

(g) Receives three or more default notices in any calendar year with respect to its operation of any of the Restaurants developed pursuant to this Agreement, whether or not Franchisor terminates any CAFÉ MEXICALI Restaurant Franchise Agreement for any Restaurant on account of the default;

(h) Attempts to or effectuates a Transfer of any rights under this Agreement in contravention of this Agreement;

(i) Breaches the non-competition covenants in this Agreement;

(j) Breaches the anti-terrorist and money laundering covenants in this Agreement;

(k) Is convicted of, or pleads guilty or no contest to (even if a final court order has not issued), a felony or a crime involving moral turpitude, consumer fraud, or any other crime or offense, or commits any act (regardless of whether such act constitutes a crime) that in Franchisor's sole opinion is reasonably likely to have an adverse effect on the System or the Marks, or the goodwill associated with the System or the Marks; or

(l) Is a Business Entity and fails to comply with the Business Entity requirements of this Agreement;

then Developer will be in default under this Agreement. If a default occurs then Franchisor may, in addition to all other rights and remedies that may be available, either (i) terminate or modify Developer's exclusive rights to develop Restaurants in the Development Area; (ii) reduce the geographic scope of the Development Area or the remaining number of Restaurants to be developed; or (iii) terminate this Agreement and all of Developer's rights under this Agreement, in any of these cases by giving Developer written notice of Franchisor's election. Termination of this Agreement will not affect the status of any CAFÉ MEXICALI Restaurant Franchise Agreement then in effect between Franchisor and Developer, unless Developer or its Affiliate is in default of such CAFÉ MEXICALI Restaurant Franchise Agreement. All obligations of Developer and the Principals that expressly or by their nature survive the expiration, termination or transfer of this Agreement will continue in full force and effect subsequent to and notwithstanding the expiration, termination or transfer of this Agreement until such obligations are satisfied or by their terms expire; including but not limited to obligations regarding indemnification, confidentiality, non-competition, choice of law and dispute resolution.

13. Transfers.

(a) **Transfer by Franchisor.** Franchisor and its Ownership Interest holders may voluntarily, involuntarily, directly or indirectly sell, assign, transfer, license, sublicense, collaterally assign, grant a security, collateral or conditional interest, intervivos transfer, testamentary disposition or other disposition all or any part of its rights or obligations under this Agreement or any Ownership Interest in Franchisor to

any Person without Developer's consent. Specifically, and without limitation to the foregoing, Franchisor may sell its assets, Marks or the System to a third party; may offer its securities privately or publicly; may merge, spin-off, acquire other Business Entities, or be acquired by another Business Entity; may undertake a refinancing, recapitalization, leveraged buyout, or other economic or financial restructuring; and with regard to any or all of the above sales, assignments, and dispositions, Developer expressly and specifically waives any claims, demands, or damages against Franchisor arising from or related to the transfer of the Marks (or any variation thereof) or the System from Franchisor to any other party. If Franchisor assigns its rights in this Agreement, such assignment will constitute a novation as to Franchisor and Franchisor will be released from all further liability to Developer under this Agreement after the effective date of such transfer, and the transferee will be liable to Developer as if it was the original party to this Agreement. Nothing contained in this Agreement requires Franchisor to offer any services or products, whether or not bearing the Marks, to Developer if Franchisor assigns its rights in this Agreement.

(b) **Limitations on Developer Transfer.** Developer and the Principals acknowledge that the integrity of the Franchise and the stability of the CAFÉ MEXICALI Network depend on the business qualifications, financial capabilities, honesty and integrity of Franchisor's developers and franchisees. Developer and the Principals further acknowledge that Franchisor's lack of opportunity to evaluate and approve each potential developer's qualifications and the terms of each proposed Transfer could irreparably damage the System. Consequently, Developer and the Principals agree not to effectuate a Transfer, except as permitted by this Section, and in no event will Developer attempt to effectuate any Transfer without Franchisor's prior written consent. Any Transfer or attempted Transfer lacking Franchisor's prior written consent or that otherwise violates the restrictions in this Section will be null and void, will be ineffective against Franchisor and will constitute a material default under this Agreement.

(c) **Conditions to Voluntary Transfer of Rights.** Neither Developer nor any Principal will effectuate a Transfer of Control over Developer before Developer has opened for business at least one-half of the Required Number of Operating Restaurants to be developed under this Agreement. Any Transfer by Developer or any Principal will be subject to Franchisor's prior written consent, which may be conditioned on, among other things, any or all of the following conditions:

(i) At the time of Transfer, Developer, the Principals and their respective Affiliates are in full compliance with their respective obligations under this Agreement and all other agreements with Franchisor and its Affiliates, including payment of all monetary obligations due Franchisor and its Affiliates.

(ii) If the proposed Transfer involves the complete disposition of the Franchise, Developer relinquishes the Franchise and related rights under this Agreement in writing.

(iii) If the Transfer involves all the CAFÉ MEXICALI Restaurants developed under this Agreement, Developer returns the Brand Standards Manual and all Copyrighted Materials to Franchisor, including the Brand Standards.

(iv) The transferee meets Franchisor's criteria for qualifying as a new Developer, including having no existing relationship with a Competing Business.

(v) Developer furnishes Franchisor a copy of the contract of sale, including price and payment terms, and Franchisor determines that the transferee will be able to satisfy any debt obligations to Developer and still derive a reasonable profit from Developer's CAFÉ MEXICALI Restaurant's operation.

(vi) If a Transfer of Control over Developer is contemplated, the transferee executes then current forms of Development Agreement (which will limit the term of the transferee's Franchise to the unexpired Term of Developer's Franchise and which will supersede the terms of this Agreement) and other collateral agreements Franchisor may then require.

(vii) If the Transfer involves all the CAFÉ MEXICALI Restaurants developed under this Agreement, the transferee upgrades Developer's Restaurant to meet Franchisor's then-current Standards for new CAFÉ MEXICALI Restaurants.

(viii) The transferee and its Affiliates provides Franchisor a waiver and release with respect to liability for any financial data, earnings claims, representations and other information Developer or its representatives provided the transferee.

(ix) Each new Principal designated by Franchisor executes a Personal Guaranty and Principals' Undertaking.

(x) The transferee and one or more of transferee's key management personnel satisfactorily complete Franchisor's training program.

(xi) Developer pays a Transfer Fee to Franchisor.

(xii) Developer, the Principals and Developer's transferees must provide to Franchisor an unconditional, general release of all claims any of them may have against Franchisor, its Affiliates, and their respective officers, directors, shareholders, partners, employees, and other such related entities and individuals.

(d) Special Transfers.

(i) If Developer is an individual Person or multiple individual Persons, then such individual Person(s) may apply to Franchisor to transfer the Franchise and this Agreement to a Business Entity that is solely owned by such individual Person or multiple individual Persons and formed solely for the purpose of holding development rights for and/or operating CAFÉ MEXICALI Restaurants, and Franchisor will waive payment of a Transfer Fee and its right of first refusal and consent to such transfer so long as Developer first provides Franchisor such documentation and information concerning the Business Entity and the resulting ownership of Developer as Franchisor may request, and the existing and new Developer and such Principals designated by Franchisor sign the new, current form of development agreement or an amendment to this Agreement, a transfer agreement and consent and/or Personal Guaranty and Principals' Undertakings, as deemed appropriate by Franchisor.

(ii) So long as the Controlling Principal will not change, Franchisor will consent to Transfers among Developer's original Principals and waive payment of a Transfer Fee and its right of first refusal upon its receipt of such documentation and information concerning such a Transfer and the resulting ownership of Developer as Franchisor may request. The required documentation will include, without limitation, a Personal Guaranty and Principals' Undertaking signed by each Principal not having previously executed such documents (if any).

(iii) Neither Developer nor any of its Affiliates or Principals may engage in a Securities Offering without the prior written consent of Franchisor (whether or not Franchisor's consent is otherwise required under this Section with respect to such Transfer). Franchisor's consent may be withheld for any reason, and may be conditioned upon its verification that the Prospectus does state or imply (by use of the Marks or otherwise) that Franchisor is sponsoring or otherwise participating in the Securities Offering or that Franchisor will receive any part of the proceeds from the Securities Offering. To seek Franchisor's consent, Developer must submit a complete copy of the Prospectus to Franchisor prior to the time the Prospectus is filed with a government agency or official or, if an exempt Securities Offering is contemplated, prior to the delivery of the Prospectus to any prospective investor. Franchisor will have 30 days after its receipt of the Prospectus either to provide its consent, withhold its consent or advise Developer of the deficiencies that must be corrected prior to Franchisor's providing its consent. Franchisor will have no obligation to provide its consent, including unless and until all deficiencies it notes have been corrected. Any consent by Franchisor will not constitute an endorsement or ratification of the offering or the prospectus, either express or implied. Developer and the other participants in a Securities Offering will

fully indemnify Franchisor in connection with the offering. For each proposed Securities Offering, Developer will reimburse Franchisor for its costs and expenses associated with reviewing the proposed offering, including, without limitation, legal and accounting fees and salaries of Franchisor's personnel; provided that Franchisor may request an advance on such costs and expenses before initiating its review.

(iv) Developer may grant a security interest in this Agreement or the Franchise to the limited extent permitted by Section 9-408 of the Uniform Commercial Code. Any such security interest may only attach to an interest in the proceeds of Developer's CAFÉ MEXICALI Restaurant's operations and may not under any circumstances entitle or permit the secured party to take possession of or operate Developer's Restaurant or to Transfer Developer's interest in the Franchise without Franchisor's express prior written consent. The grant of a security interest in a manner consistent with this Section will not be subject to the Transfer prohibitions in this Agreement.

(e) Right of First Refusal.

(i) If Developer or the Principal(s) wishes to effectuate a Transfer that will affect a direct or indirect change in Control of Developer, pursuant to any *bona fide* offer received from a third party to purchase that interest, then the proposed seller will promptly notify Franchisor in writing of the offer, and will provide any additional information and documentation relating to the offer that Franchisor requires. Franchisor will have the option, exercisable within 30 days after receipt of all written documentation requested by Franchisor describing the terms of the offer, to send written notice to the seller that Franchisor intends to purchase the seller's interest on the same terms and conditions offered by the third party.

(ii) If an offer from a third party provides for payment of consideration other than cash, Franchisor may elect to purchase the interest proposed to be sold for the cash equivalent. If the parties cannot agree within a reasonable time on the cash equivalent of the non-cash part of the offer, then the cash equivalent will be determined by an appraisal performed by two appraisers, with each party selecting one appraiser, and the average of their determinations constituting the binding valuation. In the event of an appraisal under this provision, each party will bear its own legal and other costs and will split the appraisal fees equally.

(iii) If Franchisor elects to purchase the seller's interest, closing on the purchase will occur no later than 60 days after the date Franchisor gives notice to the seller of the election to purchase, provided that Franchisor has received all necessary permits and approvals, or on such other date as the parties agree in writing. If Franchisor exercises its right of first refusal, it may set off all amounts due from Developer or any of its Affiliates (including, if applicable, all fees for any appraiser due from Developer) against any payment for the interest to be purchased.

(iv) A decision of the Franchisor not to exercise the right of first refusal granted by this Section will not constitute a waiver of any other provision of this Agreement, including all of the Transfer requirements of this Section, with respect to a proposed Transfer. If Franchisor does not exercise its right of first refusal on any particular offer, any material change in the terms of the offer before closing will constitute a new offer subject to the same right of first refusal by Franchisor as in the case of the initial offer. Failure to comply with the provisions of this Section will constitute a material event of default under this Agreement.

(f) Purchase Upon Developer's Death or Disability.

(i) This Section applies only if (i) an individual Developer or a Principal owning a Controlling Interest in a Business Entity Developer dies or becomes Permanently Disabled during the Term, and (ii) the death or Permanent Disability results in a change in executive-level responsibility for the development activities contemplated by this Agreement.

(ii) During the first 120 days after Franchisor receives notice of the death or Permanent Disability, Franchisor will evaluate the new management's willingness and ability to continue to develop Developer's Restaurants in compliance with this Agreement. By the end of the 120-day evaluation period, Franchisor will decide whether the new management is qualified to continue to develop Developer's Restaurants and will notify management of its decision. As conditions to continuing the Franchise relationship, each Principal must furnish Franchisor a signed Personal Guaranty and Principals' Undertaking and any deficiency in Developer's compliance with the requirements of this Agreement must be cured. Further, Franchisor may require management to attend and satisfactorily complete Franchisor's initial training program.

(iii) If any of the conditions stated in this Section are not satisfied, or if Franchisor decides that the new management has not adequately demonstrated its business qualifications or commitment to the Franchise relationship, the remaining Principals will have 120 days after delivery of Franchisor's notice to (i) locate new management that is acceptable to Franchisor, or (ii) sign a binding contract to sell the development rights or a Controlling Interest in the Franchise rights to a buyer approved by Franchisor in accordance with the requirements of this Agreement. The proposed sale will be subject to Franchisor's right of first refusal.

(iv) If any of the Principals fail to sign a binding contract of sale before the 120-day selling period expires, or if a contract is signed, but the proposed sale is not concluded within 30 days after Franchisor relinquishes its right of first refusal, Franchisor will have an additional option during the next 30 days to purchase the interest the deceased or Permanently Disabled person held at the date of death or Permanent Disability. The purchase price for the interest will be its fair market value, determined through negotiations or by appraisal. Unless otherwise agreed by the parties, the purchase price will be payable in cash at closing. If Franchisor delivers written notice of its intention to exercise the option within the 30-day period, the option will be considered effectively exercised whether or not the purchase is actually consummated within the 30-day period.

(v) If the parties fail to agree on a purchase price for the interest within 21 days after delivery of Franchisor's notice, the purchase price will be determined by two appraisers in accordance with the appraisal process specified in the right of first refusal provision.

(g) **Involuntary Transfers.** No involuntary Transfer or partitioning of Developer's or the Principals' interest in the Franchise or under this Agreement, whether in connection with a bankruptcy, foreclosure, divorce or other proceeding, will be effective against Franchisor unless and until (1) the transferee furnishes Franchisor a signed guaranty under which the transferee agrees to be jointly and severally liable for the payment of Developer's monetary obligations under this Agreement, whether or not such obligations are then delinquent, (2) the transferee agrees in writing to be personally bound by the confidentiality provisions and restrictive covenants in this Agreement, and (3) the Transfer encompasses Developer's and the Principals' total interest in the Franchise and under this Agreement, irrevocably designates and appoints Developer to be the transferee's agent and attorney-in-fact with whom Franchisor may deal for all purposes expressed in or contemplated by this Agreement.

(h) **Waiver of Interference Claims.** Developer acknowledges that Franchisor has legitimate reasons to evaluate the qualifications of potential transferees and to analyze and critique the terms of their purchase contracts with Developer. Developer also acknowledges that Franchisor's contact with potential transferees for the purpose of protecting its business interests will not constitute improper or unlawful conduct. Developer expressly authorizes Franchisor to investigate any potential transferee's qualifications, to analyze and critique the proposed purchase terms with the transferee, and to withhold consent to economically questionable transactions. Developer waives any claim that action Franchisor takes in relation to a proposed transfer to protect its business interests constitutes tortious interference with contractual or business relationships.

14. Law Governing; Dispute Resolution.

(a) **Except to the extent governed by the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. §§1051 *et. seq.*), this Agreement will for all purposes be governed by and interpreted and enforced in accordance with the internal laws of the State of Colorado, except that its choice of law and conflict of law rules will not apply.**

(b) Franchisor and Developer agree to submit any claim, controversy or dispute between themselves or each other's respective affiliates (and their, and their affiliates' respective, owners, officers, directors, agents, representatives and/or employees) arising out of or related to (i) this Agreement or any other related agreement between Franchisor and Developer, (ii) Franchisor's relationship with Developer, or (iii) the validity of this Agreement or any other related agreement between Franchisor or Developer to mediation before bringing such claim, controversy or dispute in a court.

(i) The mediation shall be conducted by a mediator agreed upon by the parties to the mediation and, failing such agreement within not more than 30 days after either party has notified the other of its desire to seek mediation, by the American Arbitration Association or any successor organization in accordance with its rules governing mediation. Mediation shall be held at the agreed-upon mediator's offices in the city where Franchisor maintains its principal business offices. The costs and expenses of mediation, including the compensation and expenses of the mediator (but excluding attorneys' fees incurred by either party), shall be borne by the parties equally.

(ii) If the parties are unable to resolve the claim, controversy or dispute within 90 days after the mediator has been chosen, then, unless such time period is extended by written agreement of the parties, either party may bring such claim, controversy, or dispute in accordance with the Agreement. The parties agree that statements made during such mediation proceeding will not be admissible for any purpose in any subsequent legal proceeding.

(iii) Notwithstanding the foregoing provisions of this Section, the parties' agreement to mediate shall not apply to any controversy, dispute or claim related to or based on amounts owed to us pursuant to this Agreement or for temporary or preliminary injunctive or other extraordinary relief sought ("Excepted Claims"). Either party may bring any Excepted Claims in any court of competent jurisdiction and the parties hereby waive all questions of personal jurisdiction or venue for the purpose of carrying out this provision.

(c) The parties mutually agree that the state and federal courts located in the county in which Franchisor has its then current principal place of business (currently the U.S. District Court for Colorado, or if such court lacks jurisdiction, the state courts located in Weld County, Colorado), will be the exclusive venue and exclusive forum in which to adjudicate any Action arising from or relating to this Agreement and any guarantees hereof, undertakings hereunder provided and relationship established thereby, however, with respect to any Action which seeks monies owed, injunctive relief or other extraordinary relief, Franchisor may bring such action in any court of competent jurisdiction. The parties irrevocably submit to the jurisdiction of such courts and waive any objections to either the jurisdiction of or venue in such courts. The parties mutually agree that personal jurisdiction may be affected by service of process and that when so made will be as if served personally. This Agreement was executed and accepted at Franchisor's current place of business in Weld County, Colorado. The parties anticipate that the performance of certain of Developer's obligations arising under this Agreement, including the payment of certain monies due Franchisor, will initially occur in Weld County, Colorado.

(d) **Except with respect to Developer's and each Principal's obligation to indemnify Franchisor and claims Franchisor brings for Developer's unauthorized use of the Marks or unauthorized use or disclosure of any Trade Secrets, the parties waive to the fullest extent permitted by law any right to or claim for any punitive, exemplary, special and consequential damages against the other and agree that, in the event of an Action arising from a dispute between the parties, the**

parties bringing an Action will be limited to equitable relief and to recovery of any direct or general damages it sustains; provided, however that Franchisor will have the right to seek and recover lost profits in the event of termination of this Agreement.

(e) Except for an Action arising from Developer's nonpayment or underpayment of amounts Developer owes Franchisor pursuant to this Agreement, or an Action related to Developer's unauthorized use of the Marks, any and all Actions arising out of or relating to this Agreement or the relationship created hereby will be barred unless an Action is commenced within two years and one day after the date on which the party asserting such Action knew or should have known of the facts giving rise to such Action. Notwithstanding the foregoing, with respect to any Actions arising out of or in connection with an Event of Force Majeure, the two years limit on Actions provided for in this Section will be extended for a period equal to the extended performance period resulting from the Event of Force Majeure, provided that such period will not exceed 90 days.

_____ [Developer's Initials]

(f) Developer and the Principals agree that any Action arising from or relating to this Agreement and any guarantees hereof, undertakings hereunder provided and the relationship established thereby shall be conducted on an individual basis, and not as part of a common, consolidated or class action.

15. JURY TRIAL WAIVER. THE PARTIES IRREVOCABLY WAIVE TRIAL BY JURY IN ANY ACTION, WHETHER AT LAW OR IN EQUITY, BROUGHT BY EITHER PARTY RELATING TO THE RELATIONSHIP BETWEEN THE PARTIES OR ARISING UNDER OR IN ANY WAY CONNECTED WITH THIS AGREEMENT OR ANY RIGHT OR CURE HEREUNDER. THE PARTIES ACKNOWLEDGE THEIR RIGHT TO A JURY TRIAL, THAT THEY HAVE HAD AN OPPORTUNITY TO CONSULT WITH COUNSEL AND THAT THIS WAIVER IS ENTERED INTO KNOWINGLY AND VOLUNTARILY.

16. Miscellaneous.

(a) This Agreement is not intended to create, and will not be interpreted or construed as creating, a franchise, partnership, joint venture, agency, employment, personal services or similar relationship between Franchisor and Developer. No representation to the contrary will be binding upon Franchisor.

(b) This Agreement will be binding upon and inure to the benefit of Franchisor and Developer and their respective successors, assigns, executors, heirs and personal representatives. If Developer is, or subsequently Transfers the Franchise to, a Business Entity, each Principal will also be personally and individually bound by the provisions of this Agreement that expressly.

(c) This Agreement will not be binding on Franchisor and no development rights will be granted unless and until each Principal designated by Franchisor executes and delivers a Personal Guaranty and Principals' Undertaking in the form attached as Exhibit A. Additionally, all Persons who receive Confidential Information as a result of Developer's operations hereunder, that do not satisfy the term "Principal" under this Agreement, will be required to execute a copy of the Confidentiality Agreement and Covenant Not To Compete attached to this Agreement as Exhibit B; provided that only those with a direct or indirect ownership interest in Developer will be required to sign Exhibit B with a Covenant Not To Compete.

(d) The provisions of this Agreement are severable, and if any provision is held illegal, invalid or unenforceable, the holding will not affect the legality, validity or enforceability of any other provision. Any illegal, invalid or unenforceable provision will be reformed to the minimum extent necessary to render it legal, valid and enforceable and, as so reformed, will continue in full force and effect.

(e) The term “Developer” includes the plural as well as the singular, the masculine and feminine genders, and Business Entities as well as individuals.

(f) This Agreement may not be amended, modified or rescinded, or any performance requirement waived, except by a written document signed by Franchisor and Developer. The parties expressly agree that this Agreement may not be amended or modified, or any performance standard changed, by course of dealing or inference from a party’s conduct. This provision does not apply to changes in the Brand Standards, which Franchisor may modify unilaterally.

(g) Notwithstanding any contrary provisions contained in this Agreement, Franchisor and Developer acknowledge and agree that (a) this Agreement (and the relationship of the parties which arises from this Agreement) grants Franchisor the discretion to make decisions, take actions and/or refrain from taking actions not inconsistent with Developer’s explicit rights and obligations hereunder that may affect favorably or adversely Developer’s interests; (b) Franchisor will use its business judgment in exercising such discretion based on Franchisor’s assessment of Franchisor’s own interests and balancing those interests against the interests, promotion and benefit of the System and CAFÉ MEXICALI Restaurants generally (including Franchisor, and its Affiliates and other developers), and specifically without considering Developer’s individual interests or the individual interests of any other particular developer (examples of items that will promote or benefit the System and CAFÉ MEXICALI Restaurants generally include, without limitation, enhancing the value of the Marks, improving Customer service and satisfaction, improving product quality, improving uniformity, enhancing or encouraging modernization, and improving the competitive position of the System); (c) Franchisor will have no liability to Developer for the exercise of its discretion in this manner; and (d) even if Franchisor has numerous motives for a particular action or decision, so long as at least one motive is a reasonable business justification no trier of fact in any legal action will substitute its judgment for Franchisor’s judgment so exercised and such action or decision will not be subject to challenge for abuse of discretion. IF FRANCHISOR TAKES ANY ACTION OR CHOOSES NOT TO TAKE ANY ACTION IN ITS DISCRETION WITH REGARD TO ANY MATTER RELATED TO THIS AGREEMENT AND ITS ACTION OR INACTION IS CHALLENGED FOR ANY REASON, THE PARTIES EXPRESSLY DIRECT THE TRIER OF FACT THAT FRANCHISOR’S RELIANCE ON A BUSINESS REASON IN THE EXERCISE OF ITS DISCRETION IS TO BE VIEWED AS A REASONABLE AND PROPER EXERCISE OF ITS DISCRETION, WITHOUT REGARD TO WHETHER OTHER REASONS FOR OUR DECISION MAY EXIST AND WITHOUT REGARD TO WHETHER THE TRIER OF FACT WOULD INDEPENDENTLY ACCORD THE SAME WEIGHT TO THE BUSINESS REASON.

17. Notices. All notices permitted or required to be delivered pursuant to the provisions of this Agreement will be delivered in writing to the address listed on the Summary Pages for Franchisor and to Developer’s Corporate Address for Developer or such other address as the parties will specify by written notice, and will be deemed so delivered: (i) at the time delivered by hand; (ii) 1 day after transmission by email (provided that the sender confirms the email by sending an original confirmation copy by expedited delivery service within 5 days after transmission); or (iii) 1 day after being placed in the hands of a commercial courier service for next day delivery, provided there is proof of delivery; and must be addressed to the party to be notified at the addresses as described above for Franchisor and Developer or such other address as the parties will specify by written notice.

18. Developer’s Acknowledgments.

(a) Developer acknowledges (i) that this Agreement is not a CAFÉ MEXICALI Restaurant franchise agreement and that it provides Developer neither a license to use the Marks nor any right to operate a CAFÉ MEXICALI Restaurant, (ii) that Developer’s rights under this Agreement are solely contractual and that no property rights are granted in or with respect to the Development Area, and (iii) that until a CAFÉ MEXICALI Restaurant Franchise Agreement for a particular Territory is issued in accordance

with this Agreement, Developer will not have or be entitled to exercise any of the rights or privileges of a Developer at or with respect to that location or Territory.

(b) Developer acknowledges and agrees that this Agreement constitutes the entire agreement between the parties hereto pertaining to the subject matter hereof and supersedes all prior agreement, understandings, negotiations and discussions, whether oral or written, of the parties hereto, and there are no warranties, representations or other agreements between the parties hereto in connection with the subject matter hereof except as specifically set forth herein and therein; provided that to the extent applicable nothing in this Agreement, the Exhibits or any related agreement is intended to disclaim Franchisor's representations contained in the franchise disclosure document provided to Developer in connection with this Agreement. No supplement, modification, waiver or termination of this Agreement will be binding unless executed in writing by the party hereto to be bound thereby. No waiver of any of the provisions of this Agreement will be deemed or will constitute a waiver of any other provisions (whether or not similar), nor will such waiver constitute a continuing waiver unless otherwise expressly provided.

(c) No statement, questionnaire, or acknowledgment signed or agreed to by Franchisor 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 Franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

(d) Developer acknowledges that no document that this Agreement requires will be binding on Franchisor unless it is signed on Franchisor's behalf by its authorized representative.

(e) Developer acknowledges and agrees that this Agreement creates an arm's length commercial relationship that cannot and will not be transformed into a fiduciary or other "special" relationship by course of dealing, by any special indulgences or benefits that Franchisor bestows on Developer, or by inference from a party's conduct.

(f) Developer acknowledges and agrees that Developer received (i) Franchisor's then current franchise disclosure document required by the Trade Regulation Rule of the Federal Trade Commission entitled "Disclosure Requirements and Prohibitions Concerning Franchising" at least 14 days prior to execution of this Agreement as required by such Trade Regulation Rule and (ii) a fully completed copy of this Agreement at least 7 days prior to execution as required by such Trade Regulation Rule, as further described in the Summary Pages.

[COMPLETED AND EXECUTED ON THE FOLLOWING PAGE]

IN WITNESS WHEREOF, the undersigned have entered into this Agreement as witnessed by their signatures below.

FRANCHISOR

Café Mexicali - Franchising, LLC
a Colorado limited liability company

By: _____

Print Name: _____

Title: _____

Date: _____

DEVELOPER

By: _____

Print Name: _____

Title: _____

Date: _____

EXHIBIT A

PERSONAL GUARANTY AND PRINCIPALS' UNDERTAKING

In consideration of, and as an inducement to, the execution of the Development Agreement with the date set forth below, including any exhibits and amendments thereto (the "Development Agreement"), by and between Café Mexicali - Franchising, LLC, a Colorado limited liability company ("Franchisor") and the Developer named below ("Developer"), each of the undersigned Principals hereby personally and unconditionally: (1) guarantees to Franchisor and its successors and assigns, for the Term of the Development Agreement and thereafter as provided in the Development Agreement, that Developer will punctually pay and perform the agreements and covenants expressly provided by the terms of the Development Agreement; and (2) acknowledges that each is included in the term "Principal" as described in the Development Agreement and without limiting any guarantee of Developer's obligations under the Development Agreement, jointly and severally makes all of the covenants, representations, warranties and agreements of Principals set forth in the Development Agreement and is jointly and severally obligated to perform thereunder for so long as he or she qualifies as a Principal and thereafter to the extent expressly provided by the terms of the Development Agreement, including, but not limited to, the covenants, representations, warranties and agreements described in the following sections of the Development Agreement: Section 9 (regarding indemnification), 10 (regarding confidentiality and non-competition), 13 (regarding Transfer) and 14 (regarding governing law and dispute resolution); and (3) represents that each and every representation of Developer made in connection with the Development Agreement is true, correct and complete in all respects as of the time given and as of the time of the undersigned's execution of this Personal Guaranty and Principals' Undertaking. Any capitalized terms used but not defined in this Personal Guaranty and Principals' Undertaking will have the meaning set forth in the Development Agreement.

Each of the undersigned waives: (a) acceptance and notice of acceptance by Franchisor of the foregoing undertakings; (b) notice of demand for payment of any indebtedness or nonperformance of any obligations hereby guaranteed; (c) protest and notice of default to any party with respect to the indebtedness or nonperformance of any obligations hereby guaranteed; (d) any right he or she may have to require that an action be brought against Developer or any other person as a condition of liability; (e) notice of any amendment to the Development Agreement; and (f) any and all other notices and legal or equitable defenses to which he may be entitled.

Each of the undersigned consents and agrees that: (i) his or her direct and immediate liability under this Personal Guaranty and Principals' Undertaking will be joint and several; (ii) he or she will render any payment or performance required under the Development Agreement upon demand if Developer fails or refuses to do so punctually; (iii) such liability will not be contingent or conditioned upon pursuit by Franchisor of any remedies against Developer or any other person; and (iv) such liability will not be diminished, relieved or otherwise effected by any extension of time, credit or other indulgence which Franchisor may from time to time grant to Developer or to any other person including, without limitation, the acceptance of any partial payment or performance or the compromise or release of any claims, none of which will in any way modify or amend this Personal Guaranty and Principals' Undertaking, which will be continuing and irrevocable until satisfied in full.

Each of the undersigned agrees that the state and federal courts in the county which Franchisor has its then current principal place of business (currently the U.S. District Court for Colorado, or if such court lacks jurisdiction, the state courts located in Weld County, Colorado), will be the exclusive venue and exclusive forum in which to adjudicate any case or controversy arising from or relating to this Agreement and this Personal Guaranty and Principals' Undertaking. Each of the undersigned irrevocably submits to the jurisdiction of such courts and waives any objections to either the jurisdiction of or venue in such courts. Each of the undersigned agrees that personal jurisdiction may be effected by service of process and that when so made will be as if served personally. Each of the undersigned irrevocably waives, to the fullest extent the undersigned may lawfully do so, the defense of an inconvenient forum to the maintenance of such suit, action or proceeding and agrees that service of process for purposes of any such suit, action or proceeding need not be personally served or served

within the State of Colorado but may be served with the same effect as if served within the State of Colorado, by means permitted by law addressed to the undersigned at the address set forth herein. Nothing contained herein will affect Franchisor's rights to bring a suit, action or proceeding in any other appropriate jurisdiction, including any suit, action or proceeding brought to enforce any judgment against one or more of the undersigned entered by a state or federal court.

Each of the undersigned further acknowledges and agrees as follows:

Each has read the terms and conditions of the Development Agreement and acknowledges that the execution of this Personal Guaranty and Principals' Undertaking is in partial consideration for, and a condition to the granting of the rights to the Marks and the System, and the Franchisor would not have granted such rights without the execution of this Personal Guaranty and Principals' Undertaking by each of the undersigned;

This Personal Guaranty and Principals' Undertaking will remain in force notwithstanding the death of the undersigned, and will be binding on the undersigned's personal representatives; and

This Personal Guaranty and Principals' Undertaking will continue and will be enforceable notwithstanding any change in the name or the constitution of the Franchisor or Developer.

Each of the undersigned represents and warrants that the following is a complete and accurate list of all Principals of Developer and a full description of the nature and extent of each Principal's Ownership Interest in Developer. Developer, and each Principal as to his Ownership Interest, represents and warrants that each Principal is the sole and exclusive legal and beneficial owner of his Ownership Interest in Developer, free and clear of all liens, restrictions, agreements and encumbrances of any kind or nature, other than those required or permitted by this Personal Guaranty and Principals' Undertaking.

Name of Developer: _____ **Date of Development Agreement:** _____

IN WITNESS WHEREOF, each of the undersigned has hereunto affixed his signature, under seal, on the same day and year as the Development Agreement was executed.

PRINCIPAL(S)

Date: _____

[Name], Individually

Date: _____

[Name], Individually

Date: _____

[Name], Individually

EXHIBIT B

CONFIDENTIALITY AGREEMENT [AND COVENANT NOT TO COMPETE]

This Confidentiality Agreement (this “Agreement”) is made and entered into as of the Effective Date set forth below, among Café Mexicali - Franchising, LLC, a Colorado limited liability company located at 1919 65th Avenue, Unit 5, Greeley, CO 80634 (“Franchisor”), the Developer entity described in the signature below (“Developer”) and the owner, manager or employee described as the Recipient below (“Recipient”).

RECITALS

WHEREAS, Franchisor, as the result of the expenditure of time, skill, effort and money, has acquired the right to use and license others to use a distinctive System for the development and operation of the CAFÉ MEXICALI Restaurants that operate under the CAFÉ MEXICALI trademark; and

WHEREAS, the System includes, but is not limited to, the development guidelines, opening guidelines, operational guidelines, initial and ongoing training programs, business methods, designs, arrangements and Brand Standards for developing and operating CAFÉ MEXICALI Restaurants, including those pertaining to site selection, conversion, construction, exterior and interior building design, layouts, leasehold improvements, furniture, fixtures, equipment, signage, trade dress, food and beverage supplies and products and other products and services that are used, offered or sold in S CAFÉ MEXICALI Restaurants generally, methods of inventory control and requirements and policies regarding personnel, accounting and financial performance, advertising and marketing programs and information and technology systems, all of which Franchisor may improve, further develop or otherwise modify from time to time; and

WHEREAS, Franchisor’s Confidential Information developed and used in connection with the System provides economic advantages to Franchisor and includes information and know-how not generally known to, and not readily ascertainable by proper means by, Franchisor’s competitors who could obtain economic value from knowledge and use of the Confidential Information; and

WHEREAS, Franchisor has taken and intends to take all steps to maintain the confidentiality and secrecy of the Confidential Information; and

WHEREAS, Franchisor has granted Developer the limited right to develop CAFÉ MEXICALI Restaurants using the System, the Marks and Confidential Information for the period defined in the Development Agreement made and entered into on the date described below (“Development Agreement”), by and between Franchisor and Developer; and

WHEREAS, Franchisor and Developer have agreed in the Development Agreement on the importance to Franchisor and to Developer and other licensed users of the System of restricting the use, access and dissemination of the Confidential Information; and

WHEREAS, it will be necessary for certain personnel, agents, independent contractors, officers, directors and interest holders of Developer, or any entity having an interest in Developer to have access to and to use some or all of the Confidential Information in the development of Developer’s Businesses using the System; and

WHEREAS, Developer has agreed to obtain from recipients of Confidential Information written Agreements protecting the System against unfair competition; and

WHEREAS, Recipient wishes to remain, or wishes to become employed by or associated with Developer; and

WHEREAS, Recipient wishes and needs to receive and use the Confidential Information in the course of his or her employment or association in order to effectively perform services for Developer; and

WHEREAS, Recipient acknowledges that receipt of and the right to use the Confidential Information constitutes independent valuable consideration for the representations, promises and covenants made by Recipient herein;

NOW, THEREFORE, in consideration of the mutual covenants and obligations contained herein, the parties agree as follows:

1. Recipient expressly acknowledges that Recipient possesses skills and abilities of a general nature and has other opportunities for exploiting such skills. Consequently, enforcement of the covenants made in this Agreement will not deprive Recipient of any personal goodwill or ability to earn a living.

2. Franchisor and/or Developer will disclose to Recipient some or all of the Confidential Information relating to the System. As used in this Agreement, “Confidential Information” will include all items contemplated in the Development Agreement’s definition “Confidential Information” as well as any and all other information and materials, including, without limitation, any manuals, drawings, specifications, techniques and compilations of data which Franchisor provides to Developer and/or Recipient.

3. Recipient will receive the Confidential Information in confidence and will, at all times, maintain them in confidence, and use the Confidential Information only in the course of his or her employment by or association with Developer and then only in connection with the development and/or operation by Developer of the CAFÉ MEXICALI Restaurants using the System for so long as Developer is licensed by Franchisor to use the System.

4. Recipient will not at any time make copies of any documents or compilations containing some or all of the Confidential Information without Franchisor’s written permission.

5. Recipient will not at any time disclose or permit the disclosure of the Confidential Information except to other personnel of Developer and only to the limited extent necessary to train or assist other personnel of Developer in the development or operation of a CAFÉ MEXICALI Restaurant using the System.

[THE BELOW SECTION IS ONLY APPLICABLE IF THE RECIPIENT HAS AN OWNERSHIP INTEREST IN DEVELOPER]

6. *If Recipient has an Ownership Interest of any type in Developer, including but not limited to (a) in relation to a corporation, the ownership of shares in the corporation; (b) in relation to a partnership, the ownership of a general partner or limited partnership interest; (c) in relation to a limited liability corporation, the ownership of a membership interest; or (d) in relation to a trust, the ownership of the beneficial interest of such trust, Recipient covenants and agrees that, during the term of the Development Agreement and for 18 months after Recipient ceases to have such Ownership Interest or for 18 months after the Development Agreement has terminated for any reason, whichever occurs earlier, Recipient will not own or operate, directly or indirectly, or accept employment by or hold an interest in a Competing Business (defined as any restaurant or food service business whose primary focus is offering and selling Mexican-inspired food and beverage products and restaurant services to third parties through any means of distribution), which is located (i) at the CAFÉ MEXICALI Restaurant Address; or (ii) within the Development Area, or (iii) within 20 miles of the perimeter of the Development Area, or (iv) within, and within 20 miles of the perimeter of, the “Territory” of any other CAFÉ MEXICALI Restaurant. For purposes of calculating the duration of the two-year period, any time during which Recipient (as applicable) is in violation or breach of the covenant will be excluded. Recipient acknowledges that Recipient’s covenant not to compete is reasonable and necessary to protect the business and goodwill of Franchisor and to avoid misappropriation or other unauthorized use of the System and Franchisor’s Confidential Information. Recipient acknowledges and confirms that Recipient possesses the education, training and experience necessary to earn a reasonable livelihood apart from operating a Competing Business.*

The parties agree that the foregoing covenant will be construed as independent of any other covenant or provision of this Agreement. If all or any portion of a covenant in this Section is held unreasonable

or unenforceable by a court or agency having valid jurisdiction in an unappealed final decision to which Franchisor is a party, Recipient expressly agrees to be bound by any lesser covenant subsumed within the terms of such covenant that imposes the maximum duty permitted by law, as if the resulting covenant were separately stated in and made a part of this Section.

Recipient understands and acknowledges that Franchisor will have the right to reduce the scope of any covenant set forth in this Section, or any portion thereof, without his or her consent, effective immediately upon notice to Recipient; and Recipient agrees that he or she will comply forthwith with any covenant as so modified, which will be fully enforceable notwithstanding any provisions of this Agreement.

7. Recipient will surrender any material containing some or all of Franchisor's Confidential Information to Developer or Franchisor, upon request, or upon termination of employment by or association with Developer, or upon conclusion of the use for which such information or material may have been furnished to Recipient.

8. Recipient will not at any time, directly or indirectly, do any act or omit to do any act that would or would likely be injurious or prejudicial to the goodwill associated with the Confidential Information and the System.

9. All manuals are loaned by Franchisor to Developer for limited purposes only and remain the property of Franchisor and may not be reproduced, in whole or in part, without Franchisor's prior written consent.

10. Any capitalized terms used but not defined in this Agreement will have the meaning set forth in the Development Agreement.

11. Developer will make all efforts to ensure that Recipient acts as required by this Agreement.

12. Recipient agrees that in the event of a breach of this Agreement, Franchisor would be irreparably injured and be without an adequate remedy at law. Therefore, in the event of such a breach, or threatened or attempted breach of any of the provisions hereof, Franchisor will be entitled to enforce the provisions of this Agreement and will be entitled, in addition to any other remedies which are made available to it at law or in equity (including any right to terminate the Development Agreement, as provided therein), to a temporary and/or permanent injunction and a decree for the specific performance of the terms of this Agreement, without the necessity of showing actual or threatened harm and without being required to furnish a bond or other security.

13. Recipient agrees to pay all expenses (including court costs and attorneys' fees) incurred by Franchisor and Developer in enforcing this Agreement.

14. Any failure by Franchisor or the Developer to object to or take action with respect to any breach of any provision of this Agreement by Recipient will not operate or be construed as a waiver of or consent to that breach or any subsequent breach by Recipient.

15. THIS AGREEMENT WILL FOR ALL PURPOSES BE GOVERNED BY AND INTERPRETED AND ENFORCED IN ACCORDANCE WITH THE LAW OF COLORADO, WITHOUT REFERENCE TO CONFLICTS OF LAW PRINCIPLES. RECIPIENT HEREBY IRREVOCABLY AGREES THAT SERVICE OF PROCESS MAY BE MADE UPON HIM OR HER IN ANY PROCEEDING RELATING TO OR ARISING UNDER THIS AGREEMENT OR THE RELATIONSHIP CREATED BY THIS AGREEMENT BY ANY MEANS ALLOWED BY APPLICABLE LAW. RECIPIENT FURTHER AGREES THAT VENUE FOR ANY PROCEEDING RELATING TO OR ARISING OUT OF THIS AGREEMENT WILL BE ANY COURT OF COMPETENT JURISDICTION WITH JURISDICTION OVER THE COUNTY IN WHICH FRANCHISOR HAS ITS THEN CURRENT PRINCIPAL PLACE OF BUSINESS (CURRENTLY GREELEY, COLORADO); PROVIDED, HOWEVER, WITH RESPECT TO ANY ACTION WHICH INCLUDES INJUNCTIVE RELIEF OR OTHER EXTRAORDINARY RELIEF, FRANCHISOR MAY BRING SUCH ACTION IN ANY COURT THAT HAS JURISDICTION.

16. The parties acknowledge and agree that each of the covenants contained herein are reasonable limitations as to time, geographical area, and scope of activity to be restrained and do not impose a greater restraint than is necessary to protect the goodwill or other business interests of Franchisor. The parties agree that each of the foregoing covenants will be construed as independent of any other covenant or provision of this Agreement. If all or any portion of a covenant in this Agreement is held unreasonable or unenforceable by a court or agency having valid jurisdiction in any unappealed final decision to which Franchisor is a party, Recipient expressly agrees to be bound by any lesser covenant subsumed within the terms of such covenant that imposes the maximum duty permitted by law, as if the resulting covenant were separately stated in and made a part of this Agreement.

17. This Agreement contains the entire agreement of the parties regarding the subject matter hereof. This Agreement may be modified only by a duly authorized writing executed by all parties.

18. For any breach of the non-competition/Competing Business obligations of this Agreement, and due to the difficulty of establishing the precise amount of damages for breach of these obligations, in addition to all other remedies provided for in this Agreement or otherwise available to Franchisor, Recipient agrees to pay Franchisor an amount equal to 20% of the gross revenues generated by a Competing Business with which Recipient is associated for a period equal to the duration Recipient is associated with the Competing Business. Demand for payment of liquidated damages does not constitute an election of remedies and any payments received will be in addition to and not in lieu of any other remedies to us at law or in equity.

19. This Agreement is not intended to create, and will not be interpreted or construed as creating, a partnership, joint venture, agency, employment, personal services, fiduciary or other “special” relationship between Franchisor and Recipient, and no representation to the contrary will be binding upon Franchisor.

20. All notices permitted or required to be delivered pursuant to the provisions of this Agreement will be delivered in writing to the appropriate address listed in the signature blocks for Franchisor, Developer and Recipient, or such other address as the parties will specify by written notice, and will be deemed so delivered: (a) at the time delivered by hand; (b) one day after transmission by email (provided that the sender confirms the email by sending an original confirmation copy by expedited delivery service within 5 days after transmission); or (c) one day after being placed in the hands of a commercial courier service for next day delivery, provided there is proof of receipt.

21. The rights and remedies of Franchisor under this Agreement are fully assignable and transferable and will inure to the benefit of its respective Affiliates, successors and assigns. The respective obligations of Developer and Recipient hereunder may not be assigned by Developer or Recipient, without the prior written consent of Franchisor. Any assignment or attempted assignment lacking Franchisor’s prior written consent or that otherwise violates the restrictions in this Section will be ineffective against Franchisor.

[Signature Page Follows]

IN WITNESS WHEREOF, the undersigned have entered into this Agreement as witnessed by their signatures below.

FRANCHISOR

Café Mexicali - Franchising, LLC
a Colorado limited liability company

By: _____

Print Name: _____

Title: _____

Date: _____

Date of Development Agreement: _____

Franchisor's Address for Notice Purposes:

Café Mexicali - Franchising, LLC
1919 65th Avenue, Unit 5
Greeley, Colorado 80634
Email: rick@cafemexicali.com

DEVELOPER

By: _____

Print Name: _____

Title: _____

Date: _____

Developer's Address for Notice Purposes:

Attention: _____
Facsimile: _____
Email: _____

RECIPIENT:

By: _____

Name: _____

Title: _____

Date: _____

Recipient's Address For Notice Purposes:

Attention: _____

Facsimile: _____

Email: _____

EXHIBIT C

MAP OF DEVELOPMENT AREA

(attached)

EXHIBIT D

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MAINTENANCE PROGRAM

PRE-OPENING

RECIPE AND PREP

SAFE FOOD BAGGING SYSTEM

SAMPLE ORDER GUIDES

EXHIBIT E

LIST OF CURRENT FRANCHISEES

LIST OF CURRENT FRANCHISEES
As of December 31, 2024

Franchisees With Opened Franchised Restaurants

None.

Franchisees with Signed Franchise Agreements but Franchise Restaurant Not Yet Opened

Franchisee	Street Address	City	ST	Zip	Phone	Anticipated Location of Outlet
MGB Investments, LLC Argelia Xiomara Flores	322 Torreys Drive	Severance	CO	80550	(970) 412-5628	CO

EXHIBIT F

LIST OF FORMER FRANCHISEES

LIST OF FORMER FRANCHISEES

The following is a list of franchisees who were terminated, cancelled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under their franchise agreement as of December 31, 2024, or who have not communicated with us within the last 10 weeks.

None.

If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

EXHIBIT G
FINANCIAL STATEMENTS

Cafe Mexicali-Franchising, LLC
Balance Sheet Standard
As of September 30, 2025

	Sep 30, '25
ASSETS	
Current Assets	
Checking/Savings	
A/P 7104078	52,662.00
Total Checking/Savings	52,662.00
Accounts Receivable	
Accounts Receivable	-1,936.47
Total Accounts Receivable	-1,936.47
Other Current Assets	
Note Recievable - Fort Collins	26,811.00
Note Recievable - Rick Krammer	274,615.00
note Recievable -Dave Hoffman	274,615.00
Prepaid Expenses	10,552.39
Undeposited Funds	4,363.87
Total Other Current Assets	590,957.26
Total Current Assets	641,682.79
Fixed Assets	
Accumulated Amortization	-6,201.00
Total Fixed Assets	-6,201.00
TOTAL ASSETS	635,481.79
LIABILITIES & EQUITY	
Liabilities	
Current Liabilities	
Accounts Payable	
Accounts Payable	16,760.92
Total Accounts Payable	16,760.92
Other Current Liabilities	
Accrued Expenes	824.85
Total Other Current Liabilities	824.85
Total Current Liabilities	17,585.77
Total Liabilities	17,585.77
Equity	
Contribution	344,000.00
Joe Stieber Capital Account	
Joe Stieber Capital Account - Other	8,957.43
Total Joe Stieber Capital Account	8,957.43
Casey Krammer Capital Account	
Casey Krammer Capital Account - Other	16,957.43
Total Casey Krammer Capital Account	16,957.43
Matt Krammer Capital Account	
Matt Krammer Capital Account - Other	8,957.43
Total Matt Krammer Capital Account	8,957.43
Seth Krammer Capital Account	
Seth Krammer Capital Account - Other	8,957.41
Total Seth Krammer Capital Account	8,957.41
David Hoffman Capital Account	
David Hoffman Capital Account - Other	278,680.36
Total David Hoffman Capital Account	278,680.36
Rick Krammer Capital Account	
Rick Krammer Capital Account - Other	278,680.36
Total Rick Krammer Capital Account	278,680.36
Retained Earnings	-249,769.50
Net Income	-77,524.90
Total Equity	617,896.02
TOTAL LIABILITIES & EQUITY	635,481.79

Cafe Mexicali-Franchising, LLC
Profit and Loss Standard
January through September 2025

	<u>Jan - Sep '25</u>
Ordinary Income/Expense	
Income	
Boulder Franchise Fees	11,402.97
Initial Franchise Start up	<u>71,000.00</u>
Total Income	82,402.97
Cost of Goods Sold	
Restaurant Supplies	<u>-80.05</u>
Total COGS	<u>-80.05</u>
Gross Profit	82,483.02
Expense	
Decor	-268.70
Free Lunch	0.00
Legal Fees	12,355.95
Paper	-1,669.31
Marketing Material	58,530.00
Travel Expense	1,626.88
Dues and Subscriptions	750.00
Bank Service Charges	26.00
Advertising and Promotion	
Advertising and Promotion - Other	<u>73,015.75</u>
Total Advertising and Promotion	73,015.75
Uniforms	<u>-206.75</u>
Total Expense	<u>144,159.82</u>
Net Ordinary Income	<u>-61,676.80</u>
Net Income	<u>-61,676.80</u>

Café Mexicali-Franchising, LLC

Financial Statements

*As of December 31, 2024 and 2023
and for the years then ended*

Café Mexicali-Franchising, LLC

Financial Statements

As of December 31, 2024 and 2023
and for the years then ended

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Independent Auditor's Report

To the Member
Café Mexicali-Franchising, LLC
Greeley, Colorado

Report on the Financial Statements

Opinion

We have audited the financial statements of Café Mexicali-Franchising, LLC (the "Company"), which comprise the balance sheets as of December 31, 2024 and 2023, and the related statements of operations, changes in member's equity, and cash flows for the years then ended, and related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2024 and 2023, and the results of its operations, changes in member's equity and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (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 Café Mexicali-Franchising, LLC and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of 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 Café Mexicali-Franchising, LLC's ability to continue as a going concern within one year from the date the financial statements are 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, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users made on the basis of these 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 to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Café Mexicali-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 Café Mexicali-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.

A+G LLP

Dallas, Texas
May 13, 2025

Balance Sheets

As of December 31,

2024**2023****Assets**

Current assets:

Cash and cash equivalents	\$	34,596	\$	60,285
Prepaid expenses		15,507		10,552
Deferred costs		1,449		-
Total current assets		51,552		70,837

Deferred costs, net

12,618

-

Total assets**\$ 64,170****\$ 70,837****Liabilities and Member's Equity**

Current liabilities:

Accounts payable and accrued expenses	\$	450	\$	3,825
Deferred revenue		6,197		-
Total current liabilities		6,647		3,825

Long-term liabilities:

Deferred revenue, net	27,857	-
-----------------------	---------------	---

Member's equity

29,666

67,012

Total liabilities and member's equity**\$ 64,170****\$ 70,837**

Statements of Operations

For the years ended December 31,

2024**2023**

Revenues:

Franchise fee revenue

\$ 946 \$ -

Other revenue

1,000 -

Total revenues

1,946 -

General and administrative expenses:

Advertising and marketing

\$ 174,679 \$ 81,567

Commissions

433 -

Professional fees

16,110 47,851

Other general and administrative expenses

15,070 5,891

Total general and administrative expenses

206,292 135,309**Net loss****\$ (204,346) \$ (135,309)**

Statements of Changes in Member's Equity

For the years ended December 31,

2024

2023

Balance at beginning of year	\$ 67,012	\$ 87,321
Net loss	(204,346)	(135,309)
Contributions from member	167,000	115,000
Balance at end of year	\$ 29,666	\$ 67,012

Statements of Cash Flows

For the years ended December 31,

2024**2023****Operating Activities**

Net loss	\$ (204,346)	\$ (135,309)
Changes in operating assets and liabilities:		
Prepaid expenses	(4,955)	(10,552)
Deferred costs	(14,067)	-
Accounts payable and accrued expenses	(3,375)	(7,215)
Deferred revenue	34,054	-
Net cash used by operating activities	(192,689)	(153,076)

Investing Activities

Net cash provided by investing activities

-

-

Financing Activities

Contributions from member	167,000	115,000
Net cash provided by financing activities	167,000	115,000

Net decrease in cash and cash equivalents	(25,689)	(38,076)
---	----------	----------

Cash and cash equivalents, beginning of year	60,285	98,361
--	--------	--------

Cash and cash equivalents, end of year	\$ 34,596	\$ 60,285
--	-----------	-----------

NOTES TO FINANCIAL STATEMENTS

1. Organization and Operations**Description of Business**

Café Mexicali-Franchising, LLC, a Colorado limited liability company, was formed on September 17, 2021 ("Inception") and is located in Greeley, Colorado. References in these financial statement footnotes to "Company", "we", "us" and "our" refer to the business of Café Mexicali-Franchising, LLC. The Company is a wholly-owned subsidiary of Café Mexicali, Inc. ("Member" or "Parent").

The Company is in the business of granting franchisees the right to operate CAFÉ MEXICALI restaurants, which offer and sell high quality Mexican-inspired food made primarily from fresh ingredients such as the original Quesolle® rolled quesadillas, smothered burritos, breakfast burritos, salads, soups, soft tacos, nachos, desserts and drinks ("Franchised Business"). Franchisees will operate the Franchised Business under our trademarks, service marks (our "Marks") and logos using our proprietary business format and system (our "System"), which includes the use of our Marks, use of our proprietary methods, our marketing methods and procedures, our customer service procedures, and our standards, all of which we may change, improve, and further develop.

Café Mexicali IP, LLC ("IP Company"), our affiliate, owns the CAFÉ MEXICALI System trademarks, trade names, service marks and logos, as well as the System's recipes, copyright materials and other intellectual property (collectively, "Intellectual Property"). The License grants the Company the right to use the Intellectual Property to sublicense them to franchisees of the Company.

The Company is a limited liability company, and therefore, the member is not liable for the debts, obligations or other liabilities of the Company, whether arising in contract, tort or otherwise, unless the member has signed a specific guarantee.

The table below reflects the status and changes in franchised outlets and affiliate owned outlets for the years ended December 31, 2024 and 2023.

Franchised Outlets

<u>Year</u>	<u>Start of Period</u>	<u>Opened</u>	Closed or Ceased Operations – <u>Other reasons</u>	<u>End of Period</u>
2023	0	0	0	0
2024	0	0	0	0

Affiliate-owned Outlets

<u>Year</u>	<u>Start of Period</u>	<u>Opened</u>	Closed or Ceased Operations – <u>Other reasons</u>	<u>End of Period</u>
2023	4	0	0	4
2024	4	0	0	4

NOTES TO FINANCIAL STATEMENTS

1. Organization and Operations (continued)**Going Concern**

The accompanying financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. The Company is in the start-up phase of its business plan and is dependent on funding from its Member. These factors raise substantial doubt about the Company's ability to continue as a going concern.

The Company's Member has committed to providing the necessary funding to ensure the Company has sufficient liquidity to satisfy its obligations for at least twelve months following the issuance of the financial statement.

After considering the financial wherewithal of its Member to provide financial support to the Company to ensure the continued financial viability of the Company for at least twelve months following the issuance of the financial statements, management concluded that substantial doubt about the Company's ability to continue as a going concern has been alleviated. Accordingly, these financial statements do not include any adjustments that would be required were the Company not be able to continue as a going concern.

2. Significant Accounting Policies**Basis of Accounting**

The Company uses the accrual basis of accounting in accordance with the accounting principles generally accepted in the United States ("U.S. GAAP"). Under this method, revenue is recognized when earned and expenses are recognized as incurred.

Use of Estimates

The preparation of the financial statements and accompanying notes in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reported period. Estimates are used for the following, among others: revenue recognition. Actual results could differ from those estimates.

Comparative Financial Statements

Certain prior period amounts have been reclassified to conform to current year presentation.

Cash and Cash Equivalents

For purposes of reporting cash flows, all highly liquid investments with a maturity of three months or less are considered cash equivalents.

Fair Value Measurements

Fair value is defined as the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Company's financial instruments consist primarily of cash and cash equivalents, prepaid expenses, accounts payable and accrued expenses. The carrying values of cash and cash equivalents, prepaid expenses, accounts payable and accrued expenses are considered to be representative of their respective fair values due to the short-term nature of these instruments.

Assets and liabilities that are carried at fair value are classified and disclosed in one of the following three categories:

Level 1: Quoted market prices in active markets for identical assets and liabilities.

Level 2: Observable market-based inputs or unobservable inputs that are corroborated by market data.

Level 3: Unobservable inputs that are not corroborated by market data

NOTES TO FINANCIAL STATEMENTS

2. Significant Accounting Policies (continued)**Deferred Costs**

The Company capitalizes incremental contract costs associated with obtaining franchise contracts which include broker fees, sales commissions, and general fees that would not have been incurred had the franchise sale not occurred. These balances are reported as deferred costs on the balance sheets and are amortized over the term of the related franchise agreements. Amortization is included as commission expense in the statements of operations.

Revenue Recognition**Franchise fee revenue**

The Company recognizes revenue in accordance with Financial Accounting Standards Board ("FASB") ASC 606-10-25, Revenue from Contracts with Customers. In January 2021, the FASB issued Accounting Standards Update ("ASU") 2021-02, "Franchisors – Revenue from Contracts with Customers (Subtopic 952-606): Practical Expedient." ASU 2021-02 provides a practical expedient that simplifies the application of ASC 606 about identifying performance obligations and permits franchisors that are not public entities to account for pre-opening services listed within the guidance as distinct from the franchise license. The Company has adopted ASU 2021-02 and implemented the guidance on its revenue recognition policy.

The Company sells individual franchises. The franchise agreements typically require the franchisee to pay an initial, non-refundable fee prior to opening the respective location(s), continuing royalty and other fees on a weekly basis based upon a percentage of franchisees gross sales. A franchise agreement establishes a Franchised Business developed in one defined geographic area and provides for a 10-year initial term with the option to renew for two additional 10-year term. Subject to the Company's approval, a franchisee may generally renew the franchise agreement upon its expiration. If approved, a franchisee may transfer a franchise to a new or existing franchisee. The new franchisee will then sign a new franchise agreement and is required to pay a transfer fee.

Under the terms of our franchise agreements, the Company typically promises to provide franchise rights, pre-opening services such as training, and ongoing services. The Company considers certain pre-opening activities and the franchise rights and related ongoing services to represent two separate performance obligations. The franchise fee revenue is allocated to the two separate performance obligations using a residual approach. The Company has estimated the value of performance obligations related to certain pre-opening activities deemed to be distinct based on cost plus an applicable margin, and assigned the remaining amount of the initial franchise fee to the franchise rights and ongoing services. Revenue allocated to preopening activities is recognized when (or as) these services are performed, no later than opening date. Revenue allocated to franchise rights and ongoing services is recognized on a straight-line basis over the contractual term of the franchise agreement as this ensures that revenue recognition aligns with the customer's access to the franchise right. Renewal fees will be recognized over the renewal term of the respective franchise from the start of the renewal period. Transfer fees will be recognized over the contractual term of the transfer agreement.

Royalty revenue

Royalty revenue will be based on three percent for the first 20 weeks and six percent thereafter of the franchisees' gross sales. Royalty revenue will be recognized during the respective franchise agreements as earned each period as the underlying Franchised Business sales occur.

NOTES TO FINANCIAL STATEMENTS

2. Significant Accounting Policies (continued)**Revenue Recognition****Ad fund revenue**

The Company will maintain an ad fund to promote general brand recognition of the franchise system and services. Funds will be collected from franchisees based on an agreed-upon percentage of franchisee's weekly gross revenue and used to pay costs of, or associated with, marketing, advertising, promotional programs, public relations, and costs to administer the marketing fund. Although ad fund revenue is not a separate performance obligation distinct from the underlying franchise right, the Company acts as the principal as it is primarily responsible for the fulfillment and control of the marketing services. As a result, the Company will record ad fund contributions in revenue and related ad fund expenditures in expenses in the statement of operations. When ad fund revenue exceeds the related ad fund expenses in a reporting period, ad fund expenses are accrued up to the amounts of the ad fund revenue recognized. Ad fund revenue will be contributed by franchisees up to a maximum of four percent of gross sales of the Franchised Businesses and will be recognized as earned.

Other revenue

Other revenue consists of technology setup fee and is recognized as earned.

Advertising and marketing

All costs associated with advertising and marketing are expensed in the period incurred.

Income Taxes

The Company is treated as a disregarded entity for tax purposes and, as such, is not liable for federal or state income tax. As a single-member limited liability company, and therefore a disregarded entity for income tax purposes, the Company's assets, liabilities, and items of income, deduction and credit are combined with and included in the income tax return of the its Member. Accordingly, the accompanying financial statements do not include a provision or liability for federal or state income taxes. The Company recognizes income tax related interest and penalties in interest expense and other general and administrative expenses, respectively.

The Company's Member has elected to be taxed under the provisions of Subchapter S of the Internal Revenue and files income tax returns in the U.S. federal jurisdiction and the state in which it operates. The Company is subject to routine audits by taxing jurisdictions, however, there are currently no audits for any tax periods in progress. The Company is subject to examination for all years since Inception.

In accordance with FASB ASC 740-10, Income Taxes, the Company is required to disclose uncertain tax positions. Income tax benefits are recognized for income tax positions taken or expected to be taken in a tax return, only when it is determined that the income tax position will more-likely-than-not be sustained upon examination by taxing authorities. The Company has analyzed tax positions taken for filing with the Internal Revenue Service and the state jurisdiction where it operates. The Company believes that income tax filing positions will be sustained upon examination and does not anticipate any adjustments that would result in a material adverse effect on the Company's financial condition, results of operations or cash flows. Accordingly, the Company has not recorded any reserves, or related accruals for interest and penalties for uncertain income tax positions at December 31, 2024 and 2023.

Recent Accounting Pronouncements

We reviewed significant newly-issued accounting pronouncements and concluded that they either are not applicable to our operations or that no material effect is expected on our financial statements as a result of future adoption.

Subsequent Events

In accordance with FASB ASC 855, Subsequent Events, the Company has evaluated subsequent events through May 13, 2025, the date on which these financial statements were available to be issued. There were no material subsequent events that required recognition or additional disclosure in these financial statements.

NOTES TO FINANCIAL STATEMENTS

3. Certain Significant Risks and Uncertainties

The Company maintains its cash in bank deposit accounts that at times may exceed federally insured limits. The Company has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash or cash equivalents. The Company maintains its deposits with two financial institutions.

4. Revenue and Related Contract Balances**Disaggregation of Revenue**

The following table disaggregates revenue by source for the years ended December 31:

	<u>2024</u>	<u>2023</u>
Point in time:		
Other revenue	\$ 1,000	\$ -
Over time:		
Franchise fee revenue	946	-
Total revenues	<u>\$ 1,946</u>	<u>\$ -</u>

Contract Costs

Contract costs consist of deferred costs resulting from broker fees and commissions incurred when the franchise rights are sold to franchisees. The Company classifies these contract assets as deferred costs on the balance sheets. The following table reflects the change in contract assets for the years ended December 31:

	<u>2024</u>	<u>2023</u>
Deferred costs – beginning of year	\$ -	\$ -
Expense recognized during the year	(433)	-
New deferrals	14,500	-
Deferred costs – end of year	<u>\$ 14,067</u>	<u>\$ -</u>

The following table illustrates estimated expenses expected to be recognized over the remaining term of the associated franchise agreements as of December 31, 2024:

2025	\$ 1,449
2026	1,449
2027	1,449
2028	1,449
2029	1,449
Thereafter	6,822
Total	<u>\$ 14,067</u>

NOTES TO FINANCIAL STATEMENTS

4. Revenue and Related Contract Balances (continued)**Contract Liabilities**

Contract liabilities consist of deferred revenue resulting from initial franchise fees, renewal fees and transfer fees paid by franchisees. The Company classifies these contract liabilities as deferred revenue on the balance sheets. The following table reflects the change in contract liabilities for the years ended December 31:

	2024	2023
Deferred revenue – beginning of year	\$ -	\$ -
Revenue recognized during the year	(946)	-
New deferrals	35,000	-
Deferred revenue – end of year	<u>\$ 34,054</u>	<u>\$ -</u>

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

2025	\$ 6,197
2026	3,197
2027	3,197
2028	3,197
2029	3,197
Thereafter	15,069
Total	<u>\$ 34,054</u>

5. Commitments and Contingencies**Litigation**

The Company may be party to various claims, legal actions and complaints arising in the ordinary course of business. In the opinion of the management, all matters are of such nature, or involve such amounts, that unfavorable disposition, if any, would not have a material effect on the financial position of the Company.

Café Mexicali-Franchising, LLC

Financial Statements

*As of December 31, 2023 and 2022
and for the year ended December 31, 2023*

Café Mexicali-Franchising, LLC

Financial Statements

As of December 31, 2023 and 2022
and for the year ended December 31, 2023

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Independent Auditor's Report

To the Member
Café Mexicali-Franchising, LLC
Greeley, Colorado

Report on the Financial Statements

Opinion

We have audited the financial statements of Café Mexicali-Franchising, LLC (the "Company"), which comprise the balance sheets as of December 31, 2023 and 2022, and the related statements of operations, changes in member's equity, and cash flows for the year ended December 31, 2023, and related notes to the financial statements.

In our opinion, the accompanying financial statements presents fairly, in all material respects, the financial position of the Company as of December 31, 2023 and 2022, and the results of its operations, changes in member's equity and its cash flows for the year ended December 31, 2023 in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of 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 Café Mexicali-Franchising, LLC's ability to continue as a going concern within one year from the date the financial statements are 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, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users made on the basis of these 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 to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Café Mexicali-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 Café Mexicali-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.

A+G LLP

Dallas, Texas
June 24, 2024

Balance Sheets

As of December 31,

2023**2022****Assets**

Current assets:

Cash and cash equivalents

\$ 60,285 \$ 98,361

Prepaid expenses

10,552 -

Total current assets

70,837 98,361

Total assets

\$ 70,837 \$ 98,361

Liabilities and Member's Equity

Current liabilities:

Accounts payable and accrued expenses

\$ 3,825 \$ 11,040

Total current liabilities

3,825 11,040

Member's equity

67,012 87,321

Total liabilities and member's equity

\$ 70,837 \$ 98,361

Statement of Operations

For the year ended December 31,

2023

General and administrative expenses:

Advertising and marketing	\$ 81,567
Professional fees	47,851
Other general and administrative expenses	<u>5,891</u>
Total general and administrative expenses	<u>135,309</u>

Net loss	\$ (135,309)
-----------------	---------------------

Statement of Changes in Member's Equity

For the year ended December 31,

2023

Balance, beginning of year	\$ 87,321
Net loss	(135,309)
Contributions from member	115,000
Balance, end of year	\$ 67,012

Statement of Cash Flows

For the year ended December 31,

2023**Operating Activities**

Net loss	\$ (135,309)
Changes in operating assets and liabilities:	
Prepaid expenses	(10,552)
Accounts payable and accrued expenses	(7,215)
Net cash used by operating activities	<u>(153,076)</u>

Investing Activities

Net cash provided by investing activities

-

Financing Activities

Contributions from member	115,000
Net cash provided by financing activities	<u>115,000</u>

Net decrease in cash and cash equivalents (38,076)

Cash and cash equivalents, beginning of year 98,361

Cash and cash equivalents, end of year \$ 60,285

NOTES TO THE FINANCIAL STATEMENTS

1. Organization and Operations**Description of Business**

Café Mexicali-Franchising, LLC, a Colorado limited liability company, was formed on September 17, 2021 ("Inception") and is located in Greeley, Colorado. References in these financial statement footnotes to "Company", "we", "us" and "our" refer to the business of Café Mexicali-Franchising, LLC. The Company is a wholly-owned subsidiary of Café Mexicali, Inc. ("Member" or "Parent").

The Company is in the business of granting franchisees the right to operate CAFÉ MEXICALI restaurants, which offer and sell high quality Mexican-inspired food made primarily from fresh ingredients such as the original Quesolle® rolled quesadillas, smothered burritos, breakfast burritos, salads, soups, soft tacos, nachos, desserts and drinks ("Franchised Business"). Franchisees will operate the Franchised Business under our trademarks, service marks (our "Marks") and logos using our proprietary business format and system (our "System"), which includes the use of our Marks, use of our proprietary methods, our marketing methods and procedures, our customer service procedures, and our standards, all of which we may change, improve, and further develop.

Café Mexicali IP, LLC ("IP Company"), our affiliate, owns the CAFÉ MEXICALI System trademarks, trade names, service marks and logos, as well as the System's recipes, copyright materials and other intellectual property (collectively, "Intellectual Property"). The License grants the Company the right to use the Intellectual Property to sublicense them to franchisees of the Company.

The Company is a limited liability company, and therefore, the member is not liable for the debts, obligations or other liabilities of the Company, whether arising in contract, tort or otherwise, unless the member has signed a specific guarantee.

The table below reflects the status and changes in franchised outlets and affiliate owned outlets for the years ended December 31, 2023 and 2022.

Franchised Outlets

<u>Year</u>	<u>Start of Period</u>	<u>Opened</u>	Closed or Ceased Operations – <u>Other reasons</u>	<u>End of Period</u>
2022	0	0	0	0
2023	0	0	0	0

Affiliate-owned Outlets

<u>Year</u>	<u>Start of Period</u>	<u>Opened</u>	Closed or Ceased Operations – <u>Other reasons</u>	<u>End of Period</u>
2022	4	0	0	4
2023	4	0	0	4

Going Concern

The accompanying financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. The Company is in the start-up phase of its business plan and is dependent on funding from its Member. These factors raise substantial doubt about the Company's ability to continue as a going concern.

The Company's Member has committed to providing the necessary funding to ensure the Company has sufficient liquidity to satisfy its obligations for at least twelve months following the issuance of the financial statement.

NOTES TO THE FINANCIAL STATEMENTS

1. Organization and Operations (continued)**Going Concern (continued)**

After considering the financial wherewithal of its Member to provide financial support to the Company to ensure the continued financial viability of the Company for at least twelve months following the issuance of the financial statements, management concluded that substantial doubt about the Company's ability to continue as a going concern has been alleviated. Accordingly, these financial statements do not include any adjustments that would be required were the Company not be able to continue as a going concern.

2. Significant Accounting Policies**Basis of Accounting**

The Company uses the accrual basis of accounting in accordance with the accounting principles generally accepted in the United States ("U.S. GAAP"). Under this method, revenue is recognized when earned and expenses are recognized as incurred.

Use of Estimates

The preparation of the financial statements and accompanying notes in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reported period. Estimates are used for the following, among others: revenue recognition. Actual results could differ from those estimates.

Cash and Cash Equivalents

For purposes of reporting cash flows, all highly liquid investments with a maturity of three months or less are considered cash equivalents.

Comparative Financial Statements

Certain prior period amounts have been reclassified to conform to current year presentation.

Fair Value Measurements

Fair value is defined as the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Company's financial instruments consist primarily of cash and cash equivalents, prepaid expenses, accounts payable and accrued expenses. The carrying values of cash and cash equivalents, prepaid expenses, accounts payable and accrued expenses are considered to be representative of their respective fair values due to the short-term nature of these instruments.

Assets and liabilities that are carried at fair value are classified and disclosed in one of the following three categories:

Level 1: Quoted market prices in active markets for identical assets and liabilities.

Level 2: Observable market-based inputs or unobservable inputs that are corroborated by market data.

Level 3: Unobservable inputs that are not corroborated by market data

NOTES TO THE FINANCIAL STATEMENTS

2. Significant Accounting Policies (continued)**Revenue Recognition**

The Company will recognize revenue in accordance with Financial Accounting Standards Board ("FASB") ASC 606-10-25, Revenue from Contracts with Customers. In January 2021, the FASB issued Accounting Standards Update ("ASU") 2021-02, "Franchisors – Revenue from Contracts with Customers (Subtopic 952-606): Practical Expedient." ASU 2021-02 provides a practical expedient that simplifies the application of ASC 606 about identifying performance obligations and permits franchisors that are not public entities to account for pre-opening services listed within the guidance as distinct from the franchise license. The Company has adopted ASU 2021-02 and implemented the guidance on its revenue recognition policy.

The Company's primary sources of revenue will be as follows:

Franchise fee revenue

The Company sells individual franchises. The franchise agreements typically require the franchisee to pay an initial, non-refundable fee prior to opening the respective location(s), continuing royalty and other fees on a weekly basis based upon a percentage of franchisees gross sales. A franchise agreement establishes a Franchised Business developed in one or multiple defined geographic areas and provides for a 10-year initial term with the option to renew for two additional 10-year term. Subject to the Company's approval, a franchisee may generally renew the franchise agreement upon its expiration. If approved, a franchisee may transfer a franchise to a new or existing franchisee. The new franchisee will then sign a new franchise agreement and is required to pay a transfer fee.

Under the terms of our franchise agreements, the Company typically promises to provide franchise rights, pre-opening services such as training, and ongoing services. The Company considers certain pre-opening activities and the franchise rights and related ongoing services to represent two separate performance obligations. The franchise fee revenue will be allocated to the two separate performance obligations using a residual approach. The Company has estimated the value of performance obligations related to certain pre-opening activities deemed to be distinct based on cost plus an applicable margin, and assigned the remaining amount of the initial franchise fee to the franchise rights and ongoing services. Revenue allocated to preopening activities will be recognized when (or as) these services are performed, no later than opening date. Revenue allocated to franchise rights and ongoing services will be recognized on a straight line basis over the contractual term of the franchise agreement as this ensures that revenue recognition aligns with the customer's access to the franchise right. Renewal fees will be recognized over the renewal term of the respective franchise from the start of the renewal period. Transfer fees will be recognized over the contractual term of the transfer agreement.

Royalty revenue

Royalty revenue will be based on three percent for the first 20 weeks and six percent thereafter of the franchisees' gross sales. Royalty revenue will be recognized during the respective franchise agreements as earned each period as the underlying Franchised Business sales occur.

Ad fund revenue

The Company will maintain an ad fund to promote general brand recognition of the franchise system and services. Funds will be collected from franchisees based on an agreed-upon percentage of franchisee's weekly gross revenue and used to pay costs of, or associated with, marketing, advertising, promotional programs, public relations, and costs to administer the marketing fund. Although ad fund revenue is not a separate performance obligation distinct from the underlying franchise right, the Company acts as the principal as it is primarily responsible for the fulfillment and control of the marketing services. As a result, the Company will record ad fund contributions in revenue and related ad fund expenditures in expenses in the statement of operations. When ad fund revenue exceeds the related ad fund expenses in a reporting period, ad fund expenses are accrued up to the amounts of the ad fund revenue recognized. Ad fund revenue will be contributed by franchisees up to a maximum of four percent of gross sales of the Franchised Businesses and will be recognized as earned.

NOTES TO THE FINANCIAL STATEMENTS

2. Significant Accounting Policies (continued)**Advertising and marketing**

All costs associated with advertising and marketing are expensed in the period incurred.

Income Taxes

The Company is treated as a disregarded entity for tax purposes and, as such, is not liable for federal or state income tax. As a single-member limited liability company, and therefore a disregarded entity for income tax purposes, the Company's assets, liabilities, and items of income, deduction and credit are combined with and included in the income tax return of the its Member. Accordingly, the accompanying financial statements do not include a provision or liability for federal or state income taxes. The Company recognizes income tax related interest and penalties in interest expense and other general and administrative expenses, respectively.

The Company's Member files income tax returns in the U.S. federal jurisdiction and the state in which it operates. The Company is subject to routine audits by taxing jurisdictions, however, there are currently no audits for any tax periods in progress. The Company is subject to examination for all years since Inception.

In accordance with FASB ASC 740-10, Income Taxes, the Company is required to disclose uncertain tax positions. Income tax benefits are recognized for income tax positions taken or expected to be taken in a tax return, only when it is determined that the income tax position will more-likely-than-not be sustained upon examination by taxing authorities. The Company has analyzed tax positions taken for filing with the Internal Revenue Service and the state jurisdiction where it operates. The Company believes that income tax filing positions will be sustained upon examination and does not anticipate any adjustments that would result in a material adverse effect on the Company's financial condition, results of operations or cash flows. Accordingly, the Company has not recorded any reserves, or related accruals for interest and penalties for uncertain income tax positions at December 31, 2023 and 2022.

Recently Adopted Accounting Pronouncements

In June 2016, the FASB issued ASU No. 2016-13, "Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments", and subsequent amendments to the initial guidance, ASU 2019-10. This accounting standard changes the methodology for measuring credit losses on financial instruments, including trade accounts receivable, and the timing of when such losses are recorded. ASU No. 2016-13 is effective for fiscal years, and interim periods within those years, beginning after December 15, 2022. The Company adopted this standard as of January 1, 2023, using the modified retrospective approach and it did not have a material impact on its financial statements.

Recent Accounting Pronouncements

We reviewed other significant newly-issued accounting pronouncements and concluded that they either are not applicable to our operations or that no material effect is expected on our financial statements as a result of future adoption.

3. Certain Significant Risks and Uncertainties

The Company maintains its cash in a bank deposit account that at times may exceed federally insured limits. The Company has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash or cash equivalents. The Company maintains its deposits with one financial institution.

4. Commitments and Contingencies**Litigation**

The Company may be party to various claims, legal actions and complaints arising in the ordinary course of business. In the opinion of the management, all matters are of such nature, or involve such amounts, that unfavorable disposition, if any, would not have a material effect on the financial position of the Company.

NOTES TO THE FINANCIAL STATEMENTS

5. Subsequent Events

The Company has evaluated subsequent events through June 24, 2024, the date the financial statements were available to be issued.

EXHIBIT H

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, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington and Wisconsin.

This document is effective and may be used in the following states, where the document is filed, registered or exempt from registration, as of the Effective Date stated below:

STATE	EFFECTIVE DATE
South Dakota	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 I

RECEIPTS

ITEM 23

RECEIPT

This Disclosure Document summarizes certain provisions of the Franchise Agreement and other information in plain language. Read this Disclosure Document and all agreements carefully.

If Café Mexicali-Franchising, LLC offers you a franchise, it must provide this Disclosure Document to you 14 calendar-days before you sign a binding agreement with, or make payment to, us or one of our affiliates in connection with the proposed franchise sale or grant.

New York and Rhode Island require that we provide you with this Disclosure Document at the earlier of the first personal meeting or ten business days before you sign a binding agreement with, or make payment to, us or one of our affiliates in connection with the proposed sale or grant. Michigan requires that we provide you with this Disclosure Document ten business days before you sign a binding agreement with, or make payment to, us or one of our affiliates in connection with the proposed sale or grant.

If Café Mexicali-Franchising, LLC, does not deliver this Disclosure Document on time or if it contains a false or misleading statement, or a material omission, a violation of federal and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and the state agency listed on Exhibit A. Our registered agents authorized to receive service of process are set forth on Exhibit A.

The franchise seller for this offering is:

Name	Principal Business Address	Telephone Number
Richard Krammer	1919 65 th Avenue, Unit 5, Greeley, CO 80634	(970) 405-5100
David Hoffman	1919 65 th Avenue, Unit 5, Greeley, CO 80634	(970) 213-6383
Jim DelVecchio	3745 Brightwell Lane, Columbus, OH 43230	(614) 323-3013

Issuance Date: June 17, 2025, as amended October 31, 2025

I acknowledge receiving this Franchise Disclosure Document dated June 17, 2025, as amended October 31, 2025, including the following Exhibits:

A – State Administrators/Agents for Service of Process	F – List of Former Franchisees
B – Franchise Agreement	G – Financial Statements
C – Development Agreement	H – State Effective Dates
D – Table of Contents of Brand Standards Manual	I – Receipts
E – List of Current Franchisees	

PROSPECTIVE FRANCHISEE:

PROSPECTIVE FRANCHISEE:

Signature

Signature

Printed Name

Printed Name

Date

Date

[Please Keep This Copy For Your Records]

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PROSPECTIVE FRANCHISEE:

PROSPECTIVE FRANCHISEE:

Signature

Signature

Printed Name

Printed Name

Date

Date

**[Please return this completed form to Café Mexicali-Franchising, LLC by Email at
rick@cafemexicali.com]**