FRANCHISE DISCLOSURE DOCUMENT

Churro Stix Franchising, LLC
A California limited liability company
~~6600 Topanga Canyon Blvd #9028~~
~~Canoga Park~~6034 San Fernando Road
Glendale, CA ~~91303~~91202
818-636-6397
info@churrostix com
www churrostix com

The franchised business is to operate a food business selling made-to-order churros under the trade name Churro Stix~~-~~ (a "**Churro Stix Business**")

The total investment necessary to begin operation of a Churro Stix franchise is $132,500 to $390,300 This includes the $30,000 franchise fee plus approximately $5,000 to $8,000 for initial inventory of certain ingredients and products that must be paid to the Franchisor or the Franchisor's affiliate The total investment necessary to begin operation of a single franchised Churro Stix food truck is $152,700 to $267,500 This includes the $30,000 franchise fee, and approximately $5,000 to $8,000 for initial inventory of certain ingredients and products that must be paid to the franchisor or the franchisor's affiliate

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

You may wish to receive your disclosure document in another format that is more convenient for you To discuss the availability of disclosures in different formats, please contact Alen Aydinian at ~~6600 Topanga Canyon Blvd #9028, Canoga Park, CA 91303~~6034 San Fernando Road, Glendale, California 91202, alen@churrostix com, and 818-937-9414

The terms of your contract will govern your franchise relationship Don't rely on the disclosure document alone to understand your contract Read all of your contract carefully Show your contract and this disclosure document to an advisor, like a lawyer or an accountant

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

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

Issuance date ~~April 14, 2017~~ April 16, 2018

STATE COVER PAGE

Your state may have a franchise law that requires us to register or file with a state franchise administrator before offering or selling in your state REGISTRATION OF A FRANCHISE BY A STATE DOES NOT MEAN THAT THE STATE RECOMMENDS THE FRANCHISE OR HAS VERIFIED THE INFORMATION IN THIS DISCLOSURE DOCUMENT

Call the state franchise administrator listed in **Exhibit A** for information about the franchisor or about franchising in your state

MANY FRANCHISE AGREEMENTS DO NOT ALLOW YOU TO RENEW UNCONDITIONALLY AFTER THE INITIAL TERM EXPIRES YOU MAY HAVE TO SIGN A NEW AGREEMENT WITH DIFFERENT TERMS AND CONDITIONS IN ORDER TO CONTINUE TO OPERATE YOUR BUSINESS BEFORE YOU BUY, CONSIDER WHAT RIGHTS YOU HAVE TO RENEW YOUR FRANCHISE, IF ANY, AND WHAT TERMS YOU MIGHT HAVE TO ACCEPT TO RENEW

Please consider the following RISK FACTORS before you buy this franchise

1 THE FRANCHISE AGREEMENT REQUIRES YOU TO RESOLVE DISPUTES WITH US BY ARBITRATION ONLY IN CALIFORNIA OUT-OF-STATE ARBITRATION MAY FORCE YOU TO ACCEPT A LESS FAVORABLE SETTLEMENT FOR DISPUTES IT MAY ALSO COST YOU MORE TO ARBITRATE WITH US IN CALIFORNIA THAN IN YOUR OWN STATE

2 THE FRANCHISE AGREEMENT STATES THAT CALIFORNIA LAW GOVERNS THE AGREEMENT, AND THIS LAW MAY NOT PROVIDE THE SAME PROTECTIONS AND BENEFITS AS LOCAL LAW YOU MAY WANT TO COMPARE THESE LAWS

3 ALL THE OWNERS OF THE FRANCHISE WILL BE REQUIRED TO EXECUTE PERSONAL GUARANTEES THIS REQUIREMENT PLACES THE PERSONAL ASSETS OF THE FRANCHISE OWNER(S) AT RISK YOUR SPOUSE IS NOT REQUIRED TO EXECUTE A PERSONAL ~~GUARANTY~~GUARANTEE

4 THIS NEW FRANCHISOR HAS BEEN IN BUSINESS FOR SUCH A SHORT PERIOD OF TIME THAT ITS FRANCHISES ARE A HIGHER RISK INVESTMENT THAN FRANCHISORS WITH A LONGER-TERM OPERATING HISTORY

4 THE TERRITORY IS NOT EXCLUSIVE YOU MAY FACE COMPETITION FROM OTHER FRANCHISEES, FROM FRANCHISOR-OWNED OUTLETS OR FROM OTHER CHANNELS OF DISTRIBUTION OR COMPETITIVE BRANDS FRANCHISOR CONTROLS

5 THERE MAY BE OTHER RISKS CONCERNING THIS FRANCHISE

We may use the services of one or more FRANCHISE BROKERS or referral sources to assist us in selling our franchise A franchise broker or referral source represents us, not you We pay this person a fee for selling our franchise or referring you to us You should be sure to do your own investigation of the franchise

Effective Date See the next page for state effective dates

STATE EFFECTIVE DATES

The following states 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 Franchise Disclosure Document is registered, on file or exempt from registration in the following state having franchise registration and disclosure laws, with the following effective date

California ~~June 7, 2017~~ ____________________, 2018

In all other states, the effective date of this Franchise Disclosure Document is the issuance date of ~~April 14, 2017~~ April 16, 2018

(THE FOLLOWING APPLIES TO TRANSACTIONS GOVERNED BY THE MICHIGAN FRANCHISE INVESTMENT LAW ONLY)

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

Each of the following provisions is void and unenforceable if contained in any documents relating to a franchise

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

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

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

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

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

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

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

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

(ii) The fact that the proposed transferee is a competitor of the franchisor or sub-franchisor

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

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

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

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

If the franchisor's most recent financial statements are unaudited and show a net worth of less than $100,000, the franchisee may request the franchisor to arrange for the escrow of initial investment and other funds paid by the franchisee until the obligations, if any, of the franchisor to provide real estate, improvements, equipment, inventory, training or other items included in the franchise offering are fulfilled At the option of the franchisor, a surety bond may be provided in place of escrow

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

Any questions regarding this notice should be directed to

Michigan Department of Attorney General
Consumer Protection Division
Attn Franchise Section
G Mennen Williams Building, 1st Floor
525 W Ottawa Street
Lansing, Michigan 48933
Telephone Number (517) 373-7117

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

In this disclosure document, "we", "us," or "our" refers to Churro Stix Franchising, LLC "You" means the person to whom we grant a franchise If you are a corporation, limited liability company, or other entity, each owner of the franchise entity must sign our ~~Guaranty~~Guarantee and Non-Compete Agreement, which means that all of the franchise agreement's provisions also will apply to your owners

Us, Any Parents, Predecessors, and Certain Affiliates

Our name is Churro Stix Franchising, LLC, a California limited liability company that was organized on May 26, 2016 Our principal business address is ~~6600 Topanga Canyon Blvd #9028, Canoga Park~~6034 San Fernando Road, Glendale, California ~~91303~~91202 We use the names "Churro Stix Franchising, LLC" and "Churro Stix" We do not intend to use any other names to conduct business Our agents for service of process are disclosed in **Exhibit A**

We do not have any parents or predecessors Our operating affiliate Churro Stix, LLC (**"CS LLC"**), a California limited liability that was organized on July 12, 2013, has operated a Churro Stix ~~location~~Business in Canoga Park, California since January 2014 Our affiliate Churro Stix Mobile 1, LLC (**"CSM1"**), a California limited liability company that was organized on December 27, 2016, ~~will operate~~owns and operates a single Churro Stix food truck Our affiliate CS Distribution, LLC (**"CS Distribution"**), a California limited liability company that was organized on March 13, 2017, is our designated supplier for churro mix, dipping sauces, packaging, and churrera among other items sold to our franchisees All our affiliates share the same business address as us We do not have any affiliates that offer franchises in any line of business

Information About Our Business and the Franchises Offered

(i) We do not have any other business activities other than selling and supporting Churro Stix ~~franchisees~~Businesses, and selling certain products to franchisees We do not operate businesses of the type being franchised, but our affiliate, CS LLC has operated one ~~location~~Churro Stix Business since January 2014 and our affiliate CSM1 has operated one Churro Stix food truck since May 2017 ~~-~~We have not offered franchises in other lines of business

(ii) If you sign a franchise agreement with us, you will develop and operate a food business selling made-to-order churros under our principal trademarks (**"Churro Stix Marks"**)

(iii) We are primarily a mall-based snack/dessert concept, targeting mall shoppers and workers of all ages Although restaurants are a highly-developed market, our niche in churros is relatively new and unusual Mall-based sales will be somewhat seasonal, with increases in sales when mall foot traffic increases for the holiday shopping season

~~(iv~~(iv) If, in our discretion, we determine that your proposed geographic area is suitable to operating a Churro Stix food truck, we will assign you a defined geographic area (the **"Mobile Territory"**) within which you may purchase, open and operate one franchised Churro Stix food truck (a "**Mobile Restaurant**") You must purchase a new or used food truck ("a **Food Truck**") Your Mobile Territory may be one or more cities, one or more zip codes or counties, or other defined geographic areas You and we will determine the Mobile Territory on a case-by-case basis before you sign your Franchise Agreement and Mobile Addendum You must sign a separate Franchise Agreement and Mobile Addendum for each Mobile Restaurant you will operate The Franchise Agreement for your first Mobile Restaurant will be in the form attached as **Exhibit B** to this Disclosure Document The Mobile Addendum for your first Mobile Restaurant will be in substantially the form attached as **Exhibit C** If you request and we agree to permit you to operate additional Mobile Restaurants, the Franchise Agreements and Mobile Addenda for each additional Mobile Restaurant will be signed after you select and we accept a Mobile Territory for the Mobile Restaurant The form of agreement for each additional Mobile Restaurant will be our then-current form of Franchise Agreement and Mobile Addendum that we are then offering to new franchisees, which may contain terms and conditions that are materially different from the form of Franchise Agreement attached to this Disclosure Document as **Exhibit B** and the form of Mobile Addendum attached to this Disclosure Document as **Exhibit C**

(v) The restaurant industry has certain laws and regulations specific to it The U S Food and Drug Administration, the U S Department of Agriculture, and various state and local health departments administer and enforce laws and regulations that govern food preparation and service, waste disposal, and sanitary conditions State and local agencies inspect restaurants for compliance with these requirements Certain provisions of these laws impose limits on emissions resulting from commercial food preparation Some states have also adopted or are considering proposals to regulate indoor air quality

The menu labeling provisions of the Patient Protection and Affordable Health Care Act require restaurant chains with 20 or more units to post caloric information on menus and menu boards, and to provide additional written nutrition information available to consumers upon request For smaller chains, some states and local governments may require you to comply with laws relating to the labeling that is included on your menus, menu boards, and related materials Some state and local authorities have also adopted, or are considering adopting, laws or regulations that would affect the content or make-up of food served in restaurants, such as the level of trans-fat contained in a food item

(~~v~~vi) Shopping malls typically have numerous food options, including other kiosks and restaurants that specialize in offering snacks and desserts Some of these competitors are independent businesses and others are national or regional chains with significant resources Some of your competitors are franchised

Prior Business Experience

We have offered franchises since June 22, 2016 None of our affiliates has offered franchises in other lines of business Other than CS Distribution, none of our affiliates provides products or services to our franchisees

Item 2
BUSINESS EXPERIENCE

The following people are our directors, trustees, general partners, principal officers, and any other individuals who will have management responsibility relating to the sale or operation of franchises offered by this document

Alen Aydinian – President and Managing Member Alen Aydinian has been our President and Managing Member since our inception in May 2016 He has also served as founder and CEO of CS LLC in Canoga Park, California since July 2013, of CSM1 since December 2016 and of CS Distribution since March 2017

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

The following are our initial fees and any conditions under which these fees are refundable For this section, "initial fees" means all fees and payments, or commitments to pay, for services or goods you ~~received~~receive from us or any affiliate before your ~~business~~Churro Stix Business opens, whether payable in lump sum or installments

Initial Franchise Fee

When you sign ~~your franchise agreement,~~the Franchise Agreement (**Exhibit B**) and, if applicable, the Mobile Addendum (**Exhibit C**), you must pay us $30,000 as the initial franchise fee We use the proceeds from Initial Franchise Fees to defray a portion of our expenses in connection with the sale and establishment of franchises, such as (i) costs related to developing and improving our services, (ii) expenses of preparing and registering this Disclosure Document, (iii) legal fees, (iv) accounting fees, (v) costs of obtaining and screening franchisees, and (vi) general administrative expenses This fee is uniform

If (1) you fail to complete the initial training program to our satisfaction, or (2) we conclude, no more than 10 days after you complete the initial training program, that you do not have the ability to satisfactorily operate your franchise, then we have the right to terminate your franchise agreement If we do so, we will refund your initial franchise fee less any out-of-pocket costs we have incurred, subject to your signing a general release of our liability Otherwise, the franchise fee is not refundable

Initial Ingredients and Products

Before you open, you will purchase your initial stock of our proprietary churro mix and all packaging (including cones, deli paper, and cups) from our affiliate Your initial purchase of these items will be approximately $5,000 to $8,000

Item 6
OTHER FEES

Type of Fee	Amount	Due Date	Remarks
Royalty	6% of your ~~gross sales~~Gross Sales	Monthly	See Note 1
Marketing Fund Contribution	~~1% of your gross sales~~We currently do not require you to pay a Marketing Fund Contribution If and when we establish a Marketing Fund, you must contribute 1% of your Gross Sales as a Marketing Fund Contribution	Monthly	~~See Note 1~~We may elect to establish a Marketing Fund in the future on 90 days' prior notice The Marketing Fund Contribution will be in addition to your Local Marketing Expenditure
Local Marketing Expenditure	1% of Gross Sales	As incurred	You must spend an amount equal to 1% of Gross Sales on local promotion and marketing We may, in our discretion, determine that if you contribute to a Market Cooperative, the amount of the contribution will be credited toward your Local Marketing Expenditure
Market Cooperative Contribution	As determined by co-op Currently, none	Monthly	We have the right to establish local or regional advertising cooperatives upon 90 days' prior written notice to you

Type of Fee	Amount	Due Date	Remarks
Non-compliance fee	$250	Upon demand	We may charge you $250 for any non-compliance with our system specifications or your franchise agreement If such non-compliance is ongoing, we may charge you $250 per week until you cease such non-compliance
Reimbursement	Amount that we spend on your behalf, plus 10%	Within 15 days of invoice	If we pay any amount that you owe or are required to pay to a third party, you must reimburse us
Late fee	$100 plus interest on the unpaid amount at a rate equal to 10% per year (or, if such payment exceeds the maximum allowed by law, then interest at the highest rate allowed by law)	Upon demand	We may charge a late fee if you fail to make a required payment when due
Insufficient funds fee	$50 (or, if such amount exceeds the maximum allowed by law, then the maximum allowed by law)	Upon demand	We may charge an insufficient funds fee if a payment made by you is returned because of insufficient funds in your account
Costs of collection	Our actual costs	As incurred	Payable if we incur costs (including reasonable attorney fees) in attempting to collect amounts you owe to us
Special ~~support fee~~Support Fee	Our then-current fee, plus our expenses Currently, $600 per day	On demand	If we provide in-person support to you in response to your request, we may charge this fee plus any out-of-pocket expenses (such as travel, lodging, and meals for employees providing onsite support)

Type of Fee	Amount	Due Date	Remarks
Customer complaint resolution	Our expenses		We may take any action we deem appropriate to resolve a customer complaint about your ~~business~~ Churro Stix Business. If we respond to a customer complaint, we may require you to reimburse us for our expenses
Records audit	Our actual cost	Upon demand	Payable only if (1) we audit you because you have failed to submit required reports or other non-compliance, or (2) the audit concludes that you under-reported gross sales by more than 3% for any 4-week period
Inspection fee	Currently $300, plus our out-of-pockets costs	Upon demand	Payable only if we conduct an inspection of your ~~business~~Churro Stix Business because of a governmental report, customer complaint or other customer feedback, or your default or non-compliance with any system specification
Non-compliance cure costs and fee	Our out-of-pocket costs and internal cost allocation, plus 10%	When billed	We may cure your non-compliance on your behalf (for example, if you do not have required insurance, we may purchase insurance for you), and you will owe our costs plus a 10% administrative fee
Transfer fee	$10,000	When transfer occurs	Payable if you sell your ~~business~~Churro Stix Business
Indemnity	Our costs and losses from any legal action related to the operation of your franchise	On demand	You must indemnify and defend (with counsel reasonably acceptable to us) us and our affiliates against all losses in any action by or against us related to, or alleged to arise out of, the operation of your franchise (unless caused by our misconduct or negligence)
Prevailing party's legal costs	Our attorney fees, court costs, and other expenses of a legal proceeding, if we are the prevailing party	On demand	In any legal proceeding (including arbitration), the losing party must pay the prevailing party's attorney fees, court costs and other expenses

~~All~~ Unless otherwise noted above, all fees are uniformly imposed and payable only to us ~~All fees are imposed by us and collected by us~~ All fees are non-refundable ~~All fees are uniform for all franchisees, although we~~We reserve the right to change, waive, or eliminate fees for any one or more franchisees as we deem appropriate

There are no marketing cooperatives, purchasing cooperatives, or other cooperatives, therefore, our own outlets do not have any voting power on any fees imposed by a cooperative

Notes

1 "Gross Sales" is defined in our franchise agreement as the total dollar amount of all sales generated through your ~~business~~Churro Stix Business for a given period, including, but not limited to, payment for any services or products sold by you, whether for cash or credit Gross Sales does not include (i) bona fide refunds to customers, (ii) sales taxes collected, (iii) sale of used equipment not in the ordinary course of business, or (iv) sales of prepaid cards or similar products (but the redemption of any such card or product will be included in Gross Sales)

Item 7
ESTIMATED INITIAL INVESTMENT

YOUR ESTIMATED INITIAL INVESTMENT

SINGLE "BRICK AND MORTAR" FRANCHISE

Type of expenditure	Amount	Method of payment	When due	To whom payment is to be made
Initial franchise fee	$30,000 - $30,000	Check or wire transfer	Upon signing the franchise agreement	Us
Real Estate / Rent (see Note 2)	$1,250 - $12,000	Check	Upon signing lease	Landlord
Utilities	$100 - $300	Check, debit, and/or credit	Upon ordering service	Utility providers
Leasehold Improvements (see Note 3)	$20,000 - $225,000	Check	As incurred or when billed	Contractors
Market Introduction Program	$3,000 - $4,000	Check, debit, and/or credit	As incurred or when billed	Vendors and suppliers

Type of expenditure	Amount			Method of payment	When due	To whom payment is to be made
Furniture, Fixtures, and Equipment	$35,000	-	$50,000	Check, debit, and/or credit	As incurred	Vendors and suppliers
Computer Systems	$1,800	-	$2,500	Check, debit, and/or credit	As incurred	Vendors and suppliers
Insurance	$600	-	$4,000	Check	Upon ordering	Insurance company
Signage	$500	-	$3,000	Check, debit, and/or credit	Upon ordering	Vendor
Initial Inventory	$5,000	-	$8,000	Check, debit, and/or credit	Upon ordering	CS Distribution, vendors
Licenses and Permits	$750	-	$2,500	Check	Upon application	Government
Professional Fees (lawyer, accountant, etc)	$1,500	-	$3,000	Check, debit, and/or credit	As incurred or when billed	Professional service firms
Travel, lodging and meals for initial training	$3,000	-	$6,000	Cash, debit or credit	As incurred	Airlines, hotels, and restaurants
Additional funds (for first 3 months) (see Note 4)	$30,000	-	$40,000	Varies	Varies	Employees, suppliers, utilities
Total (see Note 4)	$132,500	-	$390,300			

YOUR ESTIMATED INITIAL INVESTMENT

MOBILE RESTAURANT

Type of expenditure	Amount			Method of payment	When due	To whom payment is to be made
Food Truck (Note 5)	$85,000	-	$175,000	As Arranged	As Incurred	Food Truck Manufacturer
Food Truck Commissary (Note 6)	$1,200	-	$2,000	Cash	As Incurred	Commissary

Type of expenditure	Amount	Method of payment	When due	To whom payment is to be made
Business and Food Truck Licenses (Note 7)	$1,000 - $4,500	Cash	As Incurred	City, County, State
Computer Systems	$2,500 - $4,000	Check, debit, and/or credit	As Incurred	Approved Supplier
Initial Inventory	$2,000 - $3,500	As Arranged	Before Opening	CS Distribution, vendors
Insurance	$2,500 - $5,500	Check	Monthly Premium	Insurance Carriers
Professional Fees (lawyer, accountant, etc)	$500 - $2,000	Cash	As Incurred	Legal & State
Travel, lodging and meals for initial training	$3,000 - $6,000	As Arranged	Before Opening	Various Vendors
Initial Franchise Fee[10]	$30,000 - $30,000	Cash	At Signing	Us
Additional funds (for first 3 months) (see Note 4)	$25,000 - $35,000	Cash	As Incurred	Approved Suppliers & Employees
Total (see Note 4)	$152,700 - $267,500			

Notes

1 The initial franchise fee is refundable only as described in Item 5 None of the expenditures in this table will be refundable Neither we nor any affiliate finances any part of your initial investment

2 We expect that you will rent your location in a shopping center Our estimates in this table assume you pay a security deposit equal to ~~one~~1 to ~~two~~2 months' rent, and that you begin paying rent after you open for business For this to occur, you would need to negotiate a "free rent" period for the time it takes to build out your ~~business~~ Churro Stix Business You may be able to negotiate additional free rent or reduced rent periods after opening as well

3 The costs of leasehold improvements vary widely depending on the circumstances The low end estimate assumes that you take over a space previously used by a food service business and/or contribution of negotiated "tenant improvement" money by your landlord

4 This includes any other required expenses you will incur before operations begin and during the initial period of operations, such as payroll, additional inventory, rent, and other required operating expenses through the initial period of operations. In formulating the amount required for additional funds, we relied on the development of a Churro Stix ~~business~~Business by our affiliate, ~~and~~ our general knowledge of the industry~~.~~, and on our franchisee's experience to the extent this information was shared with us.

5 The prices for food trucks vary based upon the equipment and specifications you choose, options included and health department requirements which may result in changes in design and buildout. You must lease or purchase a new or used Food Truck that is between 16 to 18 feet in length and furnished with designated equipment. The decor and layout of your Mobile Restaurant, the equipment, including a GPS tracking device for the Mobile Restaurant, graphics and detailing, trade dress and signs must comply with our requirements and is subject to our approval before you open your Mobile Restaurant. These estimates include the cost of a light-duty or medium-duty 1/2- or 1-ton panel step-van, the price for which will vary depending upon whether you purchase a new or used step-van, shipping costs, which will vary depending on factors such as fuel costs, freight, and delivery destination, and plan composition, design and the manufacturer's engineering fees. These estimates do not include the cost of mechanical inspections and/or updates to meet Federal, state and/or local safety and emission standards.

You must secure your own source of financing for your Mobile Restaurant, which we must approve before you sign your purchase and financing documents, or you must pay cash for your Mobile Restaurant. Financing and leasing services may be available through third-party financial institutions and you are welcome to seek funding through such sources at your discretion. Approval, interest rates, finance charges and terms are determined solely by third-party financial institutions. Generally, 20% to 50% of the total purchase price will be required as a down-payment with the exact amount determined by the lending institution based upon your creditworthiness. The interest factor in the lease or loan will be tied to prevailing conditions, your individual credit history, personal financial condition and other underwriting criteria determined by your lender. The term of the lease or loan can range from 60 to 120 months, with 60 - 84 months being a commonly requested term. The larger your down payment, the lower your monthly payments, interest and overall cost. In certain instances, 100% financing may be available, in which case no down payment is necessary and your monthly payments will likely be higher. Your lender retains title to the Food Truck or, in the case of a loan, takes a security interest in the Food Truck.

6 Your Food Truck must be housed at a sanctioned food truck commissary where the truck will be cleaned, stocked, serviced and stored when not in service. The commissary must provide a facility to purchase supplies, a designated parking space, truck cleaning facilities and power and water services. Monthly lease payments for a sanctioned food truck commissary usually range from $400 to $650 per month. You must not select or contract with a food truck commissary without our prior written approval of the commissary.

7 These estimates include health department plan check and annual permit fees as well as building and safety plan check/insignia fees (when required) which are not included in the purchase price. Other included expenses are estimated city business license fees and Department of Motor Vehicle registration, renewal and smog check fees. These costs vary from state to state and vehicle to vehicle.

Various factors determine the costs of these fees, such as location of operation, gross vehicle weight and city tax and licensing fee schedules

Item 8
RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

Generally

We have the right to require you to purchase or lease all goods, services, supplies, fixtures, equipment, inventory, computer hardware and software, real estate, or comparable items related to establishing or operating your ~~business~~Churro Stix Business (1) either from us or our designee, or from suppliers approved by us, or (2) according to our specifications

Specific Obligations

The following are our current specific obligations for purchases and leases

A Ingredients and Packaging You will purchase proprietary churro mix and all packaging (including cones, deli paper, and cups) from CS Distribution, LLC You will purchase dipping sauces from CS Distribution, LLC or a vendor we designate You will purchase frappes, lemonade mix, ice cream, and other food products from a vendor or vendors we designate

B Equipment If your ~~business~~Churro Stix Business location requires a fryer with a ventless hood, you must purchase a Giles fryer model we specify or approve

C Real Estate Your business location is subject to our approval and must meet our specifications You must have your landlord sign our form of Rider to Lease Agreement (attached to this disclosure document as **Exhibit ~~C~~D**)

D Insurance You must obtain insurance as described in the Franchise Agreement and in our Operating Manual, which includes (i) Commercial General Liability insurance, including products liability coverage, and broad form commercial liability coverage, written on an "occurrence" policy form in an amount of not less than $1,000,000 single limit per occurrence and $2,000,000 aggregate limit, (ii) Business Automobile Liability insurance including owned, leased, non-owned and hired automobiles coverage in an amount of not less than $1,000,000, and (iii) Workers Compensation coverage as required by state law Your insurance policies must add us (and our officers, directors, employees, and agents) as additional insured

E Point-of-sale software and hardware, and related software and hardware You must purchase (or lease) the point-of-sale software and hardware, and related software and hardware, that we specify See Item 11 for more details

F Food Truck You must purchase or lease a new or used Food Truck that is between 16 to 18 feet in length and furnished with designated equipment In addition, your Food Truck must be housed at a sanctioned food truck commissary where it will be cleaned, stocked, serviced and stored when not in service

Approved Vendors

CS Distribution, LLC will be your supplier of proprietary churro mix and all packaging (including cones, deli paper, and cups) You will purchase dipping sauces from CS Distribution, LLC or a vendor we designate You must purchase all other supplies from our Approved Vendors list

Ownership of Suppliers

Our President and Manager Member Alen Aydinian owns CS Distribution, LLC

Alternative Suppliers

If you want to use a supplier that is not on our list of approved suppliers, you must obtain our express written approval We will grant or revoke approvals of suppliers based on criteria appropriate to the situation, which may include evaluations of the supplier's capacity, quality, financial stability, reputation, and reliability, inspections, product testing, and performance reviews Our criteria for approving suppliers are not available to you We permit you to contract with alternative suppliers who meet our criteria only if you request our approval in writing, and we grant approval We will provide you with written notification of the approval or disapproval of any supplier you propose within 30 days after receipt of your request We may grant approvals of new suppliers or revoke past approvals of suppliers on written notice to you, or by updating our Operating Manual

Issuing Specifications and Standards

We issue specifications and standards to you for applicable aspects of the franchise in our Operating Manual and/or in written directives We may issue new specifications and standards for any aspect of our brand system, or modify existing specifications and standards, at any time by revising our Operating Manual and/or issuing new written directives (which may be communicated to you by any method we choose) We will generally (but not are not obligated to do so) issue new or revised specifications only after thorough testing in our headquarters, in company-owned outlets, and/or a limited market test in multiple units

Revenue To Us and Our Affiliates

In the fiscal year ending December 31, 2017~~2016~~, we received no revenue from franchisees from the sale and leases of required purchases of products and services -CS Distribution~~was recently organized on March 13, 2017 and~~ will derive revenue from required purchases of proprietary churro mix, packaging, and other items from franchisees In the fiscal year ending December 31, 2017, our affiliate~~2016~~ CS ~~Distribution received no~~Distribution's revenue from ~~franchisees for~~ franchisee's purchases or leases of required purchases ~~and leases~~ of products and services~~.~~ was $5,215 67, or 100% of CS Distribution's total revenues of $5215 67

Proportion of Required Purchases and Leases

Required purchases and leases to establish your ~~business~~Churro Stix Business are estimated to make up ~~60~~6% to ~~80%~~7% of your total initial investment, and make up ~~60~~5% to ~~80~~8% of your annual operating expenses

Payments by Designated Suppliers to Us

We currently do not receive payments from any designated suppliers based on purchases by you or other franchisees, but reserve the right to do so in the future

Purchasing or Distribution Cooperatives

As of the date of this disclosure document, no purchasing or distribution cooperative currently exists

Negotiated Arrangements

We do not negotiate purchase arrangements with suppliers, including price terms, for the benefit of franchisees However, we may do so in the future

Benefits Provided To You For Purchases

We do not provide any material benefit to you based on your purchase of particular goods or services, or your use of particular suppliers

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 ~~Agreement~~Agreements	Disclosure Document Item
a Site selection and acquisition/lease	Franchise Agreement ("FA"), § 6 1	Item 11

Obligation	Section in ~~Agreement~~Agreements	Disclosure Document Item
b Pre-opening purchase/leases	FA, §§ 6 2, 6 3, Mobile Addendum ("MA") § 1 3	Items 5, 7, 8 and 11
c Site development and other pre-opening requirements	FA, Article 6	Items 5, 7, 8 and 11
d Initial and ongoing training	FA, §§ 6 4, 7 6	Items 5, 6, 8 and 11
e Opening	FA, §§ 6 5, 6 6, MA, Article 3	Items 7, 8 and 11
f Fees	FA, Article 4, §§ 5 5, 7 ~~8~~6, 10 ~~5~~6, 11 2, 11 3, ~~14 5,~~ 15 2, ~~16 1~~, 17 6	Items 5, 6 and 7
g Compliance with standards and policies/operating manual	FA, §§ 6 3, 7 1, 7 3, 7 5, 7 9 – 7 13, 7 15, 10 1, 10 4, 11 1, MA, § 4 2	Items 8, 11 and 14
h Trademarks and proprietary information	FA, Article 12, § 13 1	Items 13 and 14
i Restrictions on products/services offered	FA, § 7 3	Items 8, 11 and 16
j Warranty and customer service requirements	FA, §§ 7 7, 7 8, 7 9	Item 8
k Territorial development and sales quotas	N/A	Item 12
l Ongoing product/service purchases	FA, Article 8	Items 6 and 8
m Maintenance, appearance, and remodeling requirements	FA, §§ 7 12, 7 13, MA, §§ 4 3, 4 4	Items 6, 7 and 8
n Insurance	FA, § 7 15	Items 6, 7 and 8
o Advertising	FA, Article 9	Items 6, 7, 8 and 11
p Indemnification	FA, Article 16	Items 6 and 8
q Owner's participation/management/staffing	FA, § 2 4	Items 15
r Records and reports	FA, Article 10	Item 11
s Inspections and audits	FA, §§ 10 5, 11 2	Items 6 and 11

D \Users\PKaravanich\Desktop\Churro Stix\COMPARED\FRANCHISE DISCLOSURE DOCUMENT docx
2018 CHURRO STIX FDD
4/18/18~~\\Fs1\apps\lhsmh\MJS\17917-1\1169086_1 docx~~
~~2017 Churro Stix FDD~~

Obligation	Section in ~~Agreement~~Agreements	Disclosure Document Item
t Transfer	~~Article 15~~FA, §§ 15 2, 15 3, 15 4, 15 5, 15 6, 15 7	Items 6 and 17
u Renewal	FA, § 3 2	Items 6 and 17
v Post-termination obligations	FA, Article 13, § 14 3, MA, § 4 1, Article 6	Item 17
w Non-competition covenants	FA, § 13 2	Item 17
x Dispute resolution	FA, Article 17	Items 6 and 17

Item 10
FINANCING

We do not offer direct or indirect financing We do not guarantee your note, lease or ~~obligations~~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

Our Pre-Opening Obligations

Before you open your ~~business~~Churro Stix Business

A *Your Site* We will review and advise you regarding potential locations that you submit to us We are not obligated to further assist you in locating a site or negotiating the purchase or lease of the site **(Franchise Agreement, Section 5 4)**

(i) We generally do not own your premises

(ii) If your site is not already known and approved by us when you sign your franchise agreement, then we and you will specify in your franchise agreement the area in which you must select a site We do not select your site Your site is subject to our approval To obtain our approval, you must provide all information and documents about the site that we require **(Franchise Agreement, Summary Page)**

(iii) The factors we consider in approving sites are general location and neighborhood, competition, trade area demographics, traffic patterns, parking, size, physical characteristics of existing buildings, and lease terms

(iv) The time limit for us to approve or disapprove your proposed site is 30 days after you submit all of our required documents and information ~~(Section 6 1)~~ If we and you cannot agree on a site, you will be unable to comply with your obligation to develop and open the franchise by the deadline stated in the franchise agreement Unless we agree to extend the deadline, you will be in default and we may terminate your franchise agreement **(Franchise Agreement, ~~Section~~Sections 6 1~~)~~ and 14 2 (iv))**

(v) We are not obligated to assist you in conforming the premises of your site to local ordinances and building codes and obtaining any required permits This will be your responsibility **(Franchise Agreement, Section 6 5)**

B *Constructing, remodeling, or decorating the premises* We will provide you with a set of our standard building plans and specifications and/or standard recommended floor plans, and our specifications for required decor **(Franchise Agreement, Section 5 4)**

C *Hiring and training employees* We will provide you with our suggested staffing levels suggested guidelines for hiring employees, operational instructions in the Operating Manual which you can use as part of training new employees, and our initial training program described below Our grand opening support (as described below) includes assisting you in training employees All hiring decisions and conditions of employment are your sole responsibility **(Franchise Agreement, Section 5 2 and Section 5 3)**

D *Necessary equipment, signs, fixtures, opening inventory, and supplies* We will provide you a list of our specifications and approved suppliers for equipment, signs, fixtures, opening inventory, and supplies necessary to open your ~~business~~ Churro Stix Business We do not provide these items directly, we only provide the names of approved suppliers We do not deliver or install these items **(Franchise Agreement, Section 5 4)**

E *Initial Training Program* We will conduct our initial training program The current initial training program is described below **(Franchise Agreement, Section 6 4)**

F *Operating Manual* We will give you access to our Operating Manual ~~(~~**(Franchise Agreement, Section 5 1)**

G *Business plan review* If you request, we will review your pre-opening business plan and financial projections **(Franchise Agreement, Section 5 4)**

H *Grand opening marketing plan* We will advise you regarding the planning and execution of your grand opening marketing plan **(Franchise Agreement, Section, Section 5 4)**

I *On-site opening support* We will have a representative provide on-site support for at least 3 to 4 days in connection with your grand opening **(Franchise Agreement, Section 5 4)**

J Designation of Mobile Territory for Food Truck We will designate your Mobile Territory in the Mobile Addendum for your Mobile Restaurant **(Mobile Addendum, Section 1 2)**

K **Specifications for Food Truck** We will provide you with the specifications for the equipment, graphics and detailing, trade dress and signs for your Food Truck **(Mobile Addendum, Section 1 3)**

Length of Time To Open

The typical length of time between signing the franchise agreement and the opening of your ~~business~~Churro Stix Business is 4 to 6 months Factors that may affect the time period include your ability to obtain a lease, obtaining financing, obtaining business permits and licenses, hiring employees, shortages, or delayed installation of equipment, fixtures, and signs

A Mobile Restaurant usually opens for business 4 to 5 months after the Franchise Agreement is signed You must open your Mobile Restaurant for business within 6 months after you sign your Franchise Agreement and Mobile Addendum, unless we agree otherwise in writing **(Mobile Addendum, Section 3)** Factors that may affect the length of time between the signing of a Franchise Agreement and the opening of a Mobile Restaurant include the time necessary to obtain the Food Truck from its manufacturer, obtain the necessary financing, obtain required permits and governmental agency approvals, fulfill local ordinance requirements, and the hiring and training of personnel Delays in opening may be caused by inclement weather, material or labor shortages, labor actions, slow deliveries, equipment shortages and similar factors

Our Post-Opening Obligations

After you open your ~~business~~Churro Stix Business

A *Developing products or services you will offer to your customers* Although it is our intent and practice to refine and develop products or services that you will offer to your customers, the franchise agreement does not obligate us to do so

B *Hiring and training employees* We will provide you with our suggested staffing levels ~~(Section 5 2)~~, suggested guidelines for hiring employees ~~(Section 5 2)~~, and operational instructions in the Operating Manual which you can use as part of training new employees ~~(Section 5 3)~~ All hiring decisions and conditions of employment are your sole responsibility **(Franchise Agreement, Section 5 2 and Section 5 3)**

C *Improving and developing your ~~business~~ Churro Stix Business, resolving operating problems you encounter* If you request, we will provide advice to you (by telephone or electronic communication) regarding improving and developing your ~~business~~Churro Stix Business, and resolving operating problems you encounter, to the extent we deem reasonable If we provide in-person support in response to your request, we may charge a ~~fee~~Special Support Fee (currently $600 per day) plus any out-of-pocket expenses (such as travel, lodging, and meals for our employees providing onsite support) (**Franchise Agreement, Section 5 5)**

D *Establishing prices* Upon your request, we will provide recommended prices for products and services (**Franchise Agreement, Section 5 5)**

E *Establishing and using administrative, bookkeeping, accounting, and inventory control procedures* We will provide you our recommended procedures for administrative, bookkeeping, accounting, and inventory control We may make any such procedures part of required (and not merely recommended) procedures for our system (**Franchise Agreement, Section 5 5)**

F *Marketing Fund* We will administer the Marketing Fund (**Franchise Agreement, Section 5 5)**

G *Website* We will maintain a website for the Churro Stix brand, which will include your business information and telephone number (**Franchise Agreement, Section 5 5)**

Advertising

(i) *Our obligation* We will use the Marketing Fund, once established, only for marketing and related purposes and costs Media coverage is primarily local We use outside vendors and consultants to produce advertising We are not required to spend any amount of advertising in the area or territory where any particular franchisee is located We will maintain the brand website (which will be paid for by the Marketing Fund) We have no other obligation to conduct advertising (**Franchise Agreement, Section 9 3)**

(ii) *Your own advertising material* You may use your own advertising or marketing material only with our approval To obtain our approval, you must submit any proposed advertising or marketing material at least 14 days prior to use If we do not respond, the material is deemed rejected If you develop any advertising or marketing materials, we may use those materials for any purpose, without any payment to you

(iii) *Advertising council* We do not have an advertising council composed of franchisees The franchise agreement does not give us the power to form an advertising council

(iv) *Local or Regional Advertising Cooperatives* We do not currently have any local or regional advertising cooperatives We have the right to require you to participate in a local or regional advertising cooperative on 90 days' prior written notice to you We will define the area of the cooperative based on media markets, or other geographic criteria that we deem appropriate The amount you must contribute to the cooperative will be determined by vote of the members, but not less than 1% of ~~gross sales~~ your Gross Sales If our own outlets are members of a cooperative, they must contribute to the fund on the same basis as franchisees We administer the cooperative, but we have the right to delegate responsibility for administration to an outside company such as advertising agency or accounting firm, or to the franchisee members of the cooperative We have the right to require the cooperative to operate from written bylaws or other governing documents that we determine The documents are not currently available for you to review Cooperatives must prepare annual financial statements and which are available for review only by us and by the members of cooperative We have the power to require cooperatives to be formed, changed, dissolved, or merged **(Franchise Agreement, Section 9 4)**

(v) ~~*Advertising Fund* You~~*Marketing Fund* Once our Marketing Fund is established, you and all other franchisees must contribute ~~to our Marketing Fund. Your contribution is~~ 1% of ~~gross sales~~your Gross Sales per week ~~.~~ to the Marketing Fund All franchisees will contribute the same percentage Any outlets that we operate will also contribute to the Marketing Fund on the same basis We will administer the fund The fund ~~is~~need not be audited We will make unaudited annual financial statements available to you upon request **(Franchise Agreement, Section 9 3)**

~~During the fiscal year ended December 31, 2016, we did not realize any revenue from and did not spend any money from the Marketing Fund.~~

If not all marketing ~~funds~~fund contributions are spent in the fiscal year in which they accrue, the money will remain in the Marketing Fund to be spent in the next year **(Franchise Agreement, Section, Section 9 3)**

No money from the Marketing Fund will be spent principally to solicit new franchise sales

(vi) *Grand opening marketing plan* You must develop a grand opening marketing plan and obtain our approval of the plan at least 30 days before the projected opening date of your ~~business~~ Churro Stix Business **(Franchise Agreement, Section 9.6)**

(vii) ~~*Required spending*~~ *Local Marketing Expenditure* After you open, you must spend at least 1% of ~~gross sales~~your Gross Sales each month on local promotion and marketing ~~your business~~ for your Churro Stix Business We have sole discretion to determine what activities constitute "local promotion and marketing" **(Franchise Agreement, Section 9 5)**

Point of Sale and Computer Systems

We require you to buy and use the "Revel" iPad-based point-of-sale system and related computer systems and hardware The system manages (and stores data regarding) sales data, customer information, employee and labor information, scheduling, inventory, financial reports, etc

(i) We estimate that these systems will cost between $1,800 and $2,500 to purchase

(ii) We are not obligated to provide any ongoing maintenance, repairs, upgrades, or updates Revel is a subscription based contract which includes updates and support, but otherwise we do not require to you enter into a contract with a third party for maintenance, repairs, upgrades, or updates

(iii) You must upgrade or update any system when we determine There is no contractual limit on the frequency or cost of this obligation

(iv) We estimate that the annual cost of any optional or required maintenance, updating, upgrading, or support contracts will be $700

You must give us independent access to the information that will be generated or stored in these systems The information that we may access will include sales, customer data, and reports You must also give us access to video feeds of your ~~business~~ Churro Stix Business There is no contractual limitation on our right to access the information **(Franchise Agreement, Section 10 6)**

Operating Manual

See **Exhibit** ~~F~~G for the table of contents of our Operating Manual as of our last fiscal year end, with the number of pages devoted to each subject and the total number of pages in the Operating Manual

Training Program

Our training program consists of the following

TRAINING PROGRAM

Subject	Hours of Classroom Training	Hours of On-The-Job Training	Location
Operations	-	40	Canoga Park, California
Administration	8	-	TBD
~~TOTAL~~ TOTAL HOURS	8	40	

Training classes will be scheduled in accordance with the needs of new franchisees We anticipate holding training class once per month Training will be held at our kiosk location in Canoga Park, California **(Franchise Agreement, Section 5 4)**

The instructional materials consist of the Operating Manual and other materials, lectures, discussions, and on-the-job demonstration and practice

Training classes will be led by Alen Aydinian His experience is described in Item 2 He has ~~five~~ six years of experience in our industry, and ~~five~~ six years of experience with us or our affiliates

There is no fee for up to two persons to attend training You must pay the travel and living expenses of persons attending training **(Franchise Agreement, Section 5 4)**

You must attend our initial training program You may send any additional persons to training that you want (up to the maximum described above) You must complete training to our satisfaction at least two weeks before opening your ~~business~~ Churro Stix Business **(Franchise Agreement, Section 6 4)**

We do not currently require additional training programs or refresher courses, but we have the right to do so

Item 12
TERRITORY

Your Location

Your franchise is for a specific location within a Protected Territory If the specific location is not known at the time you sign a franchise agreement, then your location is subject to our approval

Grant of Territory

The shopping center in which you are located will be your Protected Territory

Relocation, Establishment of Additional Outlets

You do not have the right to relocate your ~~business~~Churro Stix Business, and we have no obligation to approve any request for relocation Our policy is to approve relocation of a franchisee's ~~business~~Churro Stix Business on case-by-case basis, considering factors such as changes in demographics, profitability of your current ~~business~~Churro Stix Business, or a loss of your premises due to circumstances beyond your control

You do not have the right to establish additional franchised outlets or expand into additional territory If you desire to establish additional franchised outlets, you must (1) meet our then-current criteria for new franchisees as well as our then-current criteria for multi-unit franchisees, (2) be in compliance with your franchise agreement at all times since opening your ~~business~~Churro Stix Business, (3) have demonstrated your capability to operate the franchise successfully, and (4) obtain our agreement

Options to Acquire Additional Franchises

You do not receive any options, rights of first refusal, or similar rights to acquire additional franchises

Territory Protection

We will not open a Churro Stix outlet, nor license or franchise another party to open a Churro Stix outlet, inside the same shopping center where you operate We can, either directly or via our affiliate (1) establish and license others to establish and operate Churro Stix outlets anywhere outside of your Protected Territory, (2) operate and license others to operate businesses anywhere under different trademarks, other than the Churro Stix Marks, inside and outside your Protected Territory, (3) operate Churro Stix food trucks anywhere outside your Protected Territory, under the Churro Stix Marks or any other trademark, and (4) offer catering services and operate temporary event booths (e g , street festivals) both inside and outside your Protected Territory Because of these exceptions, you will not receive an exclusive territory You may face competition from other franchisees, from outlets that we own, or from other channels of distribution or competitive brands that we control The continuation of your territorial protection does not depend on achieving a certain sales volume, market penetration, or other contingency There are no circumstances that permit us to modify your territorial rights

If you own and operate a Mobile Restaurant under our Mobile Addendum, we grant you the right to operate in a specified Mobile Territory The Mobile Territory may be one or more cities, counties, states, or some other defined area The Mobile Territory will be specified in your Mobile Addendum During the term of the Franchise Agreement and Mobile Addendum, we will not operate or grant a license or franchise to any other person to operate a Mobile Restaurant in your Mobile Territory We will consider the demographics, population, traffic patterns, potential trade area and other relevant information when we establish your Mobile Territory You may not operate your Mobile Restaurant within the Protected Territory or Mobile Territory of another Churro Stix Business You may not operate your Mobile Restaurant within 2 miles of another Churro Stix Business (a "**Protected Zone**") We may reduce or enlarge a Protected Zone at any time If you, at any time, operate your Mobile Restaurant within the Protected Territory, Mobile Territory or a Protected Zone of another Churro Stix Business, you will be considered to be in default under your Franchise Agreement

Restrictions on Us from Soliciting or Accepting Orders in Your Territory

There are no restrictions on us from soliciting or accepting orders from consumers inside your territory We and our affiliates reserve the right to use other channels of distribution, such as supermarkets, wholesale markets and convenience stores, as well as via the internet, catalog sales, telemarketing, or other direct marketing sales, to make sales within your territory using our principal trademarks or using trademarks different from the ones you will use under your franchise agreement We do not pay any compensation to you for soliciting or accepting orders from inside your territory

Soliciting By You Outside Your Territory

There are no restrictions on you from soliciting or accepting orders from consumers outside of your territory, except that (i) we reserve the right to control all internet-based marketing, and (ii) you may not make sales within the protected territory of another Churro Stix outlet

Competition By Us Under Different Trademarks

We have not established other franchises or company-owned outlets or another distribution channel selling or leasing similar products or services under a different trademark We describe earlier in this Item 12 what we may do anywhere and at any time

Neither we nor any ~~of our affiliates operates, franchises, or~~ parent or affiliate has ~~plans~~established, or presently intends to ~~operate or franchise a business~~establish, other franchises or company-owned facilities which provide similar products or services under a different ~~trademark selling goods or services similar to those you will offer However,~~trade name or trademark, but we reserve the ~~franchise agreement does not prohibit us from doing~~right to do so in the future, without first obtaining your consent

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Item 13
TRADEMARKS

Principal Trademarks

CS LLC is the owner of all rights, titles and interests in the Churro Stix Marks that we license to you, and has registered the following trademarks on the Principal Register of the United States Patent and Trademark Office

Trademark	Registration Date	Registration Number
Churro Stix [for restaurant services]	August 11, 2015	~~4792159~~4,792,159
Churro Stix [for churros]	August 12, 2014	~~4586252~~4,586,252

CS LLC has issued a perpetual license to us to use and sublicense the Churro Stix Marks with our sale and administration of Churro Stix franchises The license does not limit our right to use or license the use of any of the trademarks in any manner material to the franchise No other agreements are currently in effect which limit our use of the trademarks in any manner material to the franchise You may not license or sublicense any trademarks, service marks, trade names, logotypes or commercial symbols owned by us or our affiliates We intend to file all use and renewal affidavits to keep the registrations in effect Because no federal registration is at least ~~five~~5 years old, no Section 8 or 15 affidavits have been filed and none of the trademarks above have become incontestable No trademark has been renewed

Determinations

There are no currently effective material determinations of the United States Patent and Trademark Office, the Trademark Trial and Appeal Board, or any state trademark administrator or court There are no pending infringement, opposition, or cancellation proceedings

Litigation

There is no pending material federal or state court litigation regarding our use or ownership rights in a trademark

Protection of Rights

We protect your right to use the principal trademarks listed in this Item, and protect you against claims of infringement or unfair competition arising out of your use of the trademarks, to the extent described in this section

The franchise agreement obligates you to notify us of the use of, or claims of rights to, a trademark identical to or confusingly similar to a trademark licensed to you The franchise agreement does not require us to take affirmative action when notified of these uses or claims We have the right to control any administrative proceedings or litigation involving a trademark licensed by us to you

If you use our trademarks in accordance with the franchise agreement, then (i) we shall defend you (at our expense) against any legal action by a third party alleging infringement by your use of the trademark, and (ii) we will indemnify you for expenses and damages if the legal action is resolved unfavorably to you

Under the franchise agreement, we may require you to modify or discontinue using a trademark, at your expense

Superior Prior Rights and Infringing Uses

We do not know of either superior prior rights or infringing uses that could materially affect your use of the principal trademarks

Item 14
PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION

Patents

We do not own rights in, or licenses to, patents that are material to the franchise

Copyrights

All of our original works of authorship fixed in a tangible medium of expression are automatically protected under the U S Copyright Act, whether or not we have obtained registrations This includes our Operating Manual as well as all other sales, training, management and other materials that we have created or will create You may use these copyrighted materials during the term of the franchise, in a manner consistent with our ownership rights, solely for the purpose of your ~~franchised business~~Churro Stix Business

We do not have any registered copyrights There are no pending copyright applications for our copyrighted materials There are no currently effective determinations of the U S Copyright Office (Library of Congress) or any court regarding any copyright

There are no agreements currently in effect that limit our right to use or license the use of our copyrighted materials

We have no obligation to protect any of our copyrights or to defend you against claims arising from your use of copyrighted items The franchise agreement does not require us to take affirmative action when notified of copyright infringement We control any copyright litigation We are not required to participate in the defense of a franchisee or indemnify a franchisee for expenses or damages in a proceeding involving a copyright licensed to the franchisee We may require you to modify or discontinue using the subject matter covered by any of our copyrights

We do not know of any copyright infringement that could materially affect you

Proprietary Information

We have a proprietary, confidential Operating Manual and related materials that include guidelines, standards and policies for the development and operation of your ~~business~~ Churro Stix Business We also claim proprietary rights in other confidential information or trade secrets that include all methods for developing and operating the ~~business~~Churro Stix Business, and all non-public plans, data, financial information, processes, vendor pricing, supply systems, marketing systems, formulas, techniques, designs, layouts, operating procedures, customer data, information and know-how

You must protect the confidentiality of our Operating Manual and other proprietary information, and use our confidential information only for your ~~franchised business~~ Churro Stix Business We may require your owners and key employees to sign confidentiality agreements

The goodwill associated with all phone and fax numbers, email addresses, domain names, websites or webpages, social media and other Internet addresses used in operation of your Churro Stix Business is an asset that belongs to us Upon cancellation, termination or expiration of the Franchise Agreement, you will be deemed to have assigned to us or our designee all right, title and interest in and to these and/or services associated with the same You must sign any documents we request to confirm the assignments and transfers to us Item 15

OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISE BUSINESS

Your Participation

You are not required to participate personally in the direct operation of your ~~business~~ Churro Stix Business However, we recommend that you participate

You must designate one person as your "Principal Executive" The Principal Executive is the executive primarily responsible for your ~~business~~Churro Stix Business and has decision-making authority on behalf of the business The Principal Executive must own at least 10% of the ~~business~~ Churro Stix Business The Principal Executive must complete our initial training program The Principal Executive must complete any post-opening training programs that we develop in the future The Principal Executive must make reasonable efforts to attend all in-person meetings and remote meetings (such as telephone conference calls), including regional or national brand conferences, that we require The Principal Executive cannot fail to attend more than three consecutive required meetings

If your ~~business~~Churro Stix Business is owned by an entity, all owners of the business must sign our ~~Guaranty~~Guarantee and Non-Compete Agreement (see Attachment 2 to **Exhibit B**) We do not require spouses to sign a ~~guaranty~~guarantee

"On-Premises" Supervision

You are not required to personally conduct "on-premises" supervision (that is, act as general manager) of your ~~business~~ Churro Stix Business. However, we recommend on-premises supervision by you.

There is no limit on whom you can hire as an on-premises supervisor. The general manager of your ~~business~~Churro Stix Business (whether that is you or a hired person) must successfully complete our training program.

If the franchise ~~business~~Churro Stix Business is owned by an entity, we do not require that the general manager own any equity in the entity.

Restrictions On Your Manager

If we request, you must have your general manager sign a confidentiality and non-compete agreement. We do not require you place any other restrictions on your manager.

Item 16
RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

You must offer for sale only goods and services that we have approved.

You must offer for sale all goods and services that we require. We have the right to change the types of authorized goods or services, and there are no limits on our right to make changes.

We do not restrict your access to customers, except that all sales must be made at or from your premises, or by delivery, catering, and off-site events (but not in the territory of another franchisee). You cannot sell authorized goods or services on the Internet.

Item 17
RENEWAL, TERMINATION, TRANSFER, AND DISPUTE RESOLUTION

THE FRANCHISE RELATIONSHIP

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

Provision	Section in Franchise or other Agreement	Summary
a Length of the franchise term	~~§ 3 1~~Franchise Agreement, § 3 1, Mobile Addendum, Article 2	10 years from date of franchise agreement, 5 years from the date of the Mobile Addendum
b Renewal or extension of the term	Franchise Agreement § 3 2	You may obtain a successor franchise agreement for up to two additional 5 year terms
c Requirements for franchisee to renew or extend	Franchise Agreement § 3 2	For our franchise system, "renewal" means that at the end of your term, you sign our successor franchise agreement for an additional 5 year term You may be asked to sign a contract with materially different terms and conditions than your original contract To renew, you must give advance notice to us, be in compliance, renovate to then-current standard, sign then-current form of franchise agreement, sign general release (unless prohibited by applicable law)
d Termination by franchisee	Franchise Agreement § 14 1	If we violate a material provision of the franchise agreement and fail to cure or to make substantial progress toward curing the violation within 30 days after notice from you
e Termination by franchisor without cause	Not Applicable	

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~~2017 Churro Stix FDD~~

Provision	Section in Franchise or other Agreement	Summary
f Termination by franchisor with cause	~~§ 14 2~~Franchise Agreement § 14 2, Mobile Addendum, Article 5	Depending on the cause for termination, we can terminate with limited or no opportunity to cure, or if you fail to cure after we provide an opportunity to cure
g "Cause" defined--curable defaults	~~§ 14 2~~Franchise Agreement, § 14 2, Mobile Addendum, Article 5	Non-payment by you (10 days to cure), violate franchise agreement other than non-curable default (30 days to cure~~)~~), if you use the Mobile Restaurant for any purpose not authorized by the franchise agreement or operate the Mobile Restaurant within the Protected Territory, Mobile Territory or Protected Zone of another Churro Stix Business
h "Cause" defined--non-curable defaults	Franchise Agreement § 14 2, 14 7	Misrepresentation when applying to be a franchisee, intentionally submitting false information, bankruptcy, lose possession of your location, violation of law, violation of confidentiality, violation of non-compete, violation of transfer restrictions, libel or defamation of us, cease operations for more than 5 consecutive days, three defaults in 12 months, cross-termination, charge or conviction of a felony or crime of moral turpitude, or accusation of an act that is reasonably likely to materially and unfavorably affect our brand, any other breach of franchise agreement which by its nature cannot be cured
i Franchisee's obligations on termination/non-renewal	Franchise Agreement, §§ 14 3 – 14 6, Mobile Addendum, Article 6	Pay all amounts due, return Operating Manual and proprietary items, notify phone, internet, and other providers and transfer service, cease doing business, remove identification, purchase option by us
j Assignment of agreement by us	Franchise Agreement § 15 1	Unlimited

Provision	Section in Franchise or other Agreement	Summary
k "Transfer" by franchisee - defined	Franchise Agreement, Article 1	For you (or any owner of your ~~business~~Churro Stix Business) to voluntarily or involuntarily transfer, sell, or dispose of, in any single or series of transactions, (i) substantially all of the assets of the business, (ii) the franchise agreement, (iii) direct or indirect ownership interest of more than 25% of the business, or (iv) control of the business
l Franchisor's approval of transfer by franchisee	Franchise Agreement, § 15 2	No transfers without our approval
m Conditions for franchisor's approval of transfer	Franchise Agreement, § 15 2	Pay transfer fee, buyer meets our standards, buyer is not a competitor of ours, buyer signs our then-current franchise agreement, you've made all payments to us and are in compliance with the franchise agreement, buyer completes training program, you sign a general release, business complies with then-current system specifications
n Franchisor's right of first refusal to acquire franchisee's business	Franchise Agreement, § 15 5	If you want to transfer your ~~business~~Churro Stix Business, we have a right of first refusal
o Franchisor's option to purchase franchisee's business	Not Applicable	
p Death or disability of franchisee	Franchise Agreement, §§ 15 4, ~~11 9~~	If you die or become incapacitated, your executor must transfer the ~~business~~Churro Stix Business to a third party within ~~nine~~9 months We have the right to temporarily operate the business if you die or become incapacitated

Provision	Section in Franchise or other Agreement	Summary
q Non-competition covenants during the term of the franchise	Franchise Agreement, § 13 2	Neither you, any owner of the ~~business~~Churro Stix Business, or any spouse of an owner may have ownership interest in, or be engaged or employed by, any competitor
r Non-competition covenants after the franchise is terminated or expires	Franchise Agreement, § 13 2	For ~~two~~2 years, no ownership or employment by a competitor located within five miles of your former territory or the territory of any other Churro Stix ~~business~~Business operating on the date of termination
s Modification of the agreement	Franchise Agreement, § 18 4	No modification or amendment of the franchise agreement will be effective unless it is in writing and signed by both parties This provision does not limit our right to modify the Operating Manual or system specifications
t Integration/merger clause	Franchise Agreement, § 18 3	The franchise agreement constitutes the entire agreement of the parties and supersedes all prior negotiations and representations However, this does not disclaim the representations made by us in this disclosure document Only the terms of the franchise agreement are binding (subject to state law) Any representations or promises outside of the disclosure document and franchise agreement may not be enforceable
u Dispute resolution by arbitration or mediation	Franchise Agreement, § 17 1	All disputes are resolved by arbitration (except for injunctive relief)

Provision	Section in Franchise or other Agreement	Summary
v Choice of forum	Franchise Agreement, §§ 17 1, 17 5	Arbitration will take place where our headquarters is located (currently, ~~Canoga Park~~Glendale, California) Any legal proceedings not subject to arbitration will take place in the District Court of the United States, in the district where our headquarters is then located, or if this court lacks jurisdiction, the state courts of the state and county where our headquarters is then located
w Choice of law	Franchise Agreement, § 18 8	California (unless other state law applies)

For additional disclosures required by certain states, refer to **Exhibit** ~~H~~I - State Addenda to Disclosure Document

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

~~Before signing any documents or making any investment, you must make your own independent investigation regarding the purchase of a Churro Stix franchise, including independent market and industry reviews and comparisons and talking to current Churro Stix franchisees You must consult with your own independent advisors, such as attorneys and accountants, to assist in determining the suitability of this investment for you~~

~~Our affiliate CS LLC owns one Churro Stix business in Canoga Park, California, which has operated since January 2014. The following Table 1 set forth the "**Gross Sales**", "**Cost of Goods Sold**" and "**Gross Profit**" achieved by our affiliate's Churro Stix business for the periods May 2014 to April 2015, May~~ We~~2015 to April 2016, and March 2016 to March 2017. The figures in Table 1 are taken from reports from CS LLC. All information is unaudited. CS LLC's Churro Stix business is generally similar to the franchises offered to prospective franchisees under this disclosure document, except for potential variances in square footage.~~

~~The financial performance representations that appear in Table 1 do not reflect the costs of sales, operating expenses, royalties or other costs, fees or expenses that must be deducted from the gross revenue or gross sales figures to obtain your net income or profit. You should conduct an independent investigation of the costs and expenses you will incur in operating your Churro Stix business. Franchisees listed in this disclosure document, may be one source of this information.~~

~~We have one franchisee who signed a franchise agreement in 2016, but whose Churro Stix business was not yet open as of the date of this disclosure document. Accordingly, that franchisee's financial results are not included in this Item 19.~~

~~Your individual operating results will be affected by a multitude of factors, including the site of your Churro Stix business, general economic conditions, the extent, duration and effectiveness of your marketing and promotional efforts, fluctuations in the cost of rents, services and supplies, variations in disposable income and population, competition in the children's fitness industry, consumer preferences and the like, and other factors not listed in this Item 19, and may differ from the operating results stated in Table 1. CS LLC's Churro Stix business achieved these results. Your individual results will differ. There is no assurance you will sell as much. Written substantiation for the financial performance representations made in this Item 19 will be made available to you upon reasonable request.~~

~~Table 1 - Twelve Month Summary Profit and Loss (Notes 1 and 2)~~

~~The following is a summary profit and loss statement of CS LLC's only location for the periods May 2014 to April 2015, May 2015 to April 2016, and March 2016 to March 2017.~~

	~~May 2014 – April 2015~~	**~~May 2015 – April 2016~~**	**~~March 2016 – March 2017~~**
~~Gross Sales (Note 3)~~	**~~$234,722~~**	**~~$354,965~~**	**~~$386,323~~**
~~Cost of Goods Sold (Note 4)~~	**~~$53,439~~**	**~~$80,548~~**	**~~$79,147~~**
~~Gross Profit (Note 4)~~	**~~$181,282~~**	**~~$274,416~~**	**~~$307,176~~**
~~Expenses~~			
~~Payroll (Note 5)~~	~~$79,265~~	~~$94,474~~	~~$137,611~~

	~~May 2014 – April 2015~~	~~May 2015 – April 2016~~	~~March 2016 – March 2017~~
~~Rent~~	~~$68,429~~	~~$71,982~~	~~$70,614~~
~~Other (Note 6)~~	~~$65,402~~	~~$70,746~~	~~$50,984~~
~~Total~~	~~$213,096~~	~~$237,203~~	~~$259,209~~
~~**Net Ordinary Income (Note 7)**~~	~~**$(31,814)**~~	~~**$37,214**~~	~~**$47,967**~~

~~1 The foregoing data are historic financial performance representations. They are not projections of future performance.~~

~~2 The expenses described in Table 1 do not include royalty fees or other fees you would owe us as the franchisor.~~

~~3 **"Gross Sales"** is defined in our franchise agreement as the total dollar amount of all sales generated through your business for a given period, including, but not limited to, payment for any services or products sold by you, whether for cash or credit. Gross Sales does not include (i) bona fide refunds to customers, (ii) sales taxes collected, (iii) sale of used equipment not in the ordinary course of business, or (iv) sales of prepaid cards or similar products (but the redemption of any such card or product will be included in Gross Sales).~~

~~4 **"Cost of Goods Sold"** is defined as packaging, food purchases, linen expenses, and restaurant supplies. **"Gross Profit"** means Gross Sales less Cost of Goods Sold.~~

~~5 **"Payroll"** means the cost of a manager. If you were to manage your Churro Stix business yourself, your payroll and associated expenses would be lower.~~

~~6 **"Other'** expenses are for small equipment, advertising and promotion, automobile expense, bank service charges, business licenses and permits, computer and internet expense, equipment rental, insurance, merchant account fees, office supplies, payroll taxes, postage, printing, professional fees, repairs and maintenance, telephone, utilities, and uniforms. In preparing this summary P&L, we excluded automobile expense and payments to the California franchise tax board. We did not include depreciation, amortization, or interest on loans.~~

~~7 **"Net Ordinary Income"** means Gross Profit less Payroll, Rent and Other operating expenses. **One outlet owned by our affiliate has earned this amount. Your individual results may and will likely differ. There is no assurance that you will earn as much.** Your individual operating results will be affected by a multitude of factors, including the site of your Churro Stix business, general economic conditions, regional market variations, the demographics of an area, lifestyles of customers in your market area, the extent, duration and effectiveness of your marketing and promotional efforts, fluctuations in the cost of inventory and supplies, variations in disposable income and population, competition in the dessert~~

~~shops/stores/parlors industry, consumer preferences and the like, and other factors not listed in this Item 19, and may differ from the operating results stated in Table 1 Churro Stix businesses operating in low population density areas will also have lower sales than locations in high population density areas Your results will vary based on your regional demographic density, competitive factors and your ability You should consult other sources and your financial advisors to obtain additional information necessary to develop estimates of the gross revenues, cost of goods sold, operating expenses and net income you may expect Franchisees or former franchisees listed in this disclosure document, may be one source of this information~~

~~Except as described in this Item 19, we~~ do not make any representations about a franchisee's future financial performance or the past financial performance of company-owned or franchised outlets We also do not authorize our employees or representatives to make any such representations either orally or in writing If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet If you receive any other financial performance information or projections of your future income, you should report it to the franchisor's management by contacting Alen Aydinian, ~~6600 Topanga Canyon Blvd #9028, Canoga Park, CA 91303~~6034 San Fernando Road, Glendale, California 91202 , and 818-636-6397, the Federal Trade Commission, and the appropriate state regulatory agencies

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Item 20
OUTLETS AND FRANCHISEE INFORMATION

Table 1
Systemwide Outlet Summary
For years ~~2014~~2015 to ~~2016~~2017

Column 1 Outlet Type	Column 2 Year	Column 3 Outlets at the Start of the Year	Column 4 Outlets at the End of the Year	Column 5 Net Change
Franchised	~~2014~~	~~0~~	~~0~~	~~0~~
	2015	0	0	0
	2016	0	0	0
	2017	0	1	+1
Company-Owned				
	2015~~2014~~	~~0~~1	1	~~1~~0
	2016~~2015~~	1	1	~~1~~0
	2017~~2016~~	1	~~1~~2	~~0~~+1
Total Outlets				
	2015~~2014~~	~~0~~1	1	~~1~~0
	2016~~2015~~	1	1	~~1~~0
	~~2016~~2017	1	1	0

Table No 2
Transfers of Outlets from Franchisees to New Owners (other than the Franchisor)
For years ~~2014~~2015 to ~~2016~~2017

State	Year	Number of Transfers
California	~~2014~~2015	0
	2016~~2015~~	0
	~~2016~~2017	0
Total		
	~~2014~~2015	0
	2016~~2015~~	0

State	Year	Number of Transfers
	~~2016~~2017	0

Table 3
Status of Franchised Outlets
For years ~~2014~~2015 to ~~2016~~2017

State	Year	Outlets at the Start of the Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations – Other Reasons	Outlets at End of the Year
California								
~~California~~	~~2014~~2015	0	0	0	0	0	0	0
	2016~~2015~~	0	0	0	0	0	0	0
	~~2016~~2017	0	~~0~~1	0	0	0	0	~~0~~1
Totals								
	~~2014~~2015	0	0	0	0	0	0	0
	2016~~2015~~	0	0	0	0	0	0	0
	~~2016~~2017	0	~~0~~1	0	0	0	0	~~0~~1

Table 4
Status of Company-Owned Outlets
For years ~~2014~~2015 to ~~2016~~2017

State	Year	Outlets at the Start of the Year	Outlets Opened	Outlets Reacquired From Franchisee	Outlets Closed	Outlets Sold to Franchisee	Outlets at End of the Year
California	~~2014~~	~~0~~	~~1~~	~~0~~	~~0~~	~~0~~	~~0~~
	2015	1	0	0	0	0	1
	2016	1	0	0	0	0	1
	2017	1	1*	0	0	0	2

State	Year	Outlets at the Start of the Year	Outlets Opened	Outlets Reacquired From Franchisee	Outlets Closed	Outlets Sold to Franchisee	Outlets at End of the Year
Totals							
	~~2014~~2015	~~0~~1	~~1~~0	0	0	0	1
	2016~~2015~~	1	0	0	0	0	1
	~~2016~~2017	1	~~0~~1*	0	0	0	~~1~~2

Table 5
Projected Openings As Of December 31, ~~2016~~2017

State	Franchise Agreements Signed But Outlet Not Opened	Projected New Franchised Outlets In The Next Fiscal Year	Projected New Company-Owned Outlets In the Next Fiscal Year*
California	~~1~~0	~~1~~3	~~1~~0
Totals	~~1~~0	~~1~~3	~~1~~0

~~*Our~~
*As of December 31, 2017, our affiliate CSM1 ~~anticipates operating a~~operated one Churro Stix food truck CSM1 is owned by our President and Managing Member Alen Aydinian

~~We had no franchisees~~Exhibit H contains the name of our operating franchisee as of December 31, ~~2016~~2017 No franchisee has had an outlet terminated, canceled, not renewed, or has otherwise voluntarily or involuntarily ceased to do business under the franchise agreement during the most recently completed fiscal year, or has not communicated with us within 10 weeks of the disclosure document issuance date ~~Exhibit G contains the name of our franchisee who signed a Franchise Agreement but whose outlet was not yet opened as of December 31, 2016~~

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

During the last three fiscal years, no franchisees have signed any contract, order, or settlement provision that directly or indirectly restricts a current or former franchisee from discussing his or her personal experience as a franchisee in our system with any prospective franchisee

There are no ~~trademark specific~~independent franchisee organizations ~~associated with our franchise system~~that have asked to be included in this Disclosure Document

Item 21
FINANCIAL STATEMENTS

We have not been in business for three years or more, and therefore cannot include all financial statements required by the Franchise Rule of the Federal Trade Commission **Exhibit F** contains our audited balance sheet and statement of operations as of ~~December 31~~June 22, 2016, and our audited financial statements as of December 31, 2017 Our fiscal year end is December 31

Item 22
CONTRACTS

Copies of all proposed agreements regarding this franchise offering are attached as the following Exhibits

B	Franchise Agreement (with ~~Guaranty~~Guarantee and Non-Compete Agreement)
C	Mobile Restaurant Addendum
D	Rider to Lease Agreement
~~D~~E	Form of General Release
I	State Addenda to Disclosure Document
I	Confidentiality Agreement

Item 23
RECEIPTS

Detachable documents acknowledging your receipt of this disclosure document are attached as the last ~~two~~2 pages of this disclosure document

CHURRO STIX FRANCHISING, LLC

EXHIBIT A

TO FRANCHISE DISCLOSURE DOCUMENT

LIST OF STATE ADMINISTRATORS AND AGENTS FOR SERVICE OF PROCESS

~~Exhibit A~~

LIST OF STATE ADMINISTRATORS AND STATE AGENTS FOR SERVICE OF PROCESS

~~We may register this Disclosure Document in some or all of the following states in accordance with the applicable state law. If and when we pursue franchise registration, or otherwise comply with the franchise investment laws, in these states, the following are the state administrators responsible or the review, registration, and oversight of franchises in each state and the state offices or officials that we will designate as our agents for service of process in those states.~~

~~State~~STATE	~~State Administrator~~STATE ADMINISTRATOR	~~Agent for Service of Process (if different from State Administrator)~~AGENT FOR SERVICE OF PROCESS
~~California~~ CALIFORNIA	Department of Business Oversight ~~Toll-Free 1-866-275-2677~~ ~~*Los Angeles*~~ 320 West 4th Street Suite 750 Los Angeles, ~~CA~~California 90013~~-2344~~ (213) 576-7505 ~~*Sacramento*~~ ~~1515 K Street~~ ~~Suite 200~~ ~~Sacramento, CA 95814-4052~~ ~~(916) 445-7205~~ ~~*San Diego*~~ ~~1350 Front Street, Room 2034~~ ~~San Diego, CA 92101-3697~~ ~~(619) 525-4233~~ ~~*San Francisco*~~ ~~One Sansome Street, Suite 600~~ ~~San Francisco, CA 94104-4428~~ ~~(415) 972-8565~~(866) 275-2677	California, Commissioner of Business Oversight 320 West 4th Street, Suite 750 Los Angeles, California 90013 (213) 576-7505 (866) 275-2677
~~Hawaii~~ HAWAII	Business Registration Division Department of Commerce and Consumer Affairs ~~Business Registration Division~~ 335 Merchant Street Room ~~203Honolulu~~203 Honolulu, Hawaii 96813 (808) 586-2722	Commissioner of Securities, Department of Commerce & Consumer Affairs 335 Merchant Street Room 203 Honolulu, Hawaii 96813 (808) 586-2722
~~Illinois~~ ILLINOIS	Franchise Bureau Office of the Attorney General 500 South Second Street Springfield, Illinois 62706 (217) 782-4465	Franchise Bureau Office of the Attorney General 500 South Second Street Springfield, Illinois 62706 (217) 782-4465
~~Indiana~~	Indiana Secretary of State Securities Division	Indiana Secretary of State 201 State House

~~State~~STATE	~~State Administrator~~STATE ADMINISTRATOR	~~Agent for Service of Process (if different from State Administrator)~~AGENT FOR SERVICE OF PROCESS
INDIANA	302 ~~W~~ West Washington Street, Room E-111 Indianapolis, Indiana 46204 (317) 232-6681	200 West Washington Street Indianapolis, Indiana 46204 (317) 232-6531
~~Maryland~~ MARYLAND -	Office of the Attorney General- Securities Division 200 St Paul Place Baltimore, Maryland 21202-2021 (410) 576-6360	Maryland Securities Commissioner Office of the Attorney General Securities Division– 200 St Paul Place Baltimore, Maryland 21202-2021 (410) 576-6360
~~Michigan~~ MICHIGAN -	Michigan Department of Attorney General- Consumer Protection Division Attn Franchise Section 525 ~~W~~ West Ottawa ~~Street~~ G Mennen Williams Building, 1st Floor Lansing, Michigan 48933 (517) 373-7117	Michigan Department of Commerce Corporations and Securities ~~Division~~ Bureau P O Box 30054 6546 Mercantile Way Lansing, Michigan 48909 (517) 241-6345-
~~Minnesota~~ MINNESOTA -	Minnesota Department of Commerce 85 7th Place East, Suite ~~500~~280 St Paul, Minnesota 55101-2198 (651) ~~296-6328~~539-1600	Minnesota Commissioner of Commerce ~~Minnesota~~ Department of Commerce 85 7th Place East, Suite ~~500~~280 St Paul, Minnesota 55101-2198 (651) ~~296-6328~~539-1600
NEBRASKA	Nebraska Department of Banking and Finance Bureau of Securities/Financial Institutions Division 1526 K Street, Suite 300 Lincoln, Nebraska 68508-2723 (402) 471-2171	Nebraska Department of Banking and Finance Bureau off Securities/Financial Institutions Division 1526 K Street, Suite 300 Lincoln, Nebraska 68508-2723 (402) 471-2171
~~New York~~ NEW YORK -	Office of the New York State Attorney General Investor Protection Bureau Franchise Section- 120 Broadway, 23rd Floor New York, New York 10271-0332 (212) 416-8236 (Phone) (212) 416-6042 (Fax)	New York Department of State One Commerce Plaza- 99 Washington Avenue, 6th Floor Albany, New York 12231-0001 (518) 473-2492
~~North Dakota~~ NORTH DAKOTA	North Dakota Securities Department- 600 East Boulevard Avenue State Capitol Fifth Floor, Department 414 Bismarck, North Dakota 58505-0510 (701) 328-4712	North Dakota Securities Commissioner- 600 East Boulevard Avenue State Capitol Fifth Floor, Department 414 Bismarck, North Dakota 58505-0510 (701) 328-4712
~~Oregon~~ OREGON	Department of Insurance and Finance- Corporate Securities Section Labor and Industries Building Salem, Oregon 97310 (503) 378-~~4140~~4387	Department of Insurance and Finance Corporate Securities Section Labor and Industries Building Salem, Oregon 97310 (503) 378-4387
~~Rhode Island~~	Securities Division State of Rhode Island	Director, Securities Division Department of Business Regulation

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~~2017 Churro Stix FDD~~
~~State Agencies and Agents~~

~~State~~STATE	~~State Administrator~~STATE ADMINISTRATOR	~~Agent for Service of Process (if different from State Administrator)~~AGENT FOR SERVICE OF PROCESS
RHODE ISLAND	Department of Business Regulation, Bldg 69, First Floor John O Pastore Center 1511 Pontiac Avenue, Cranston, Rhode Island 02920-~~4407~~ (401) 462-9582	Bldg 69, First Floor John O Pastore Center 1511 Pontiac Avenue, Cranston, Rhode Island 02920 (401) 462-9582
~~South Dakota~~ SOUTH DAKOTA	Department of Labor and Regulation- Division of Insurance Securities Regulation 124 South Euclid, Suite 104 Pierre, South Dakota 57501-~~3185~~ (605) 773-~~4823~~3563	Director, Department of Labor and Regulation Division of Insurance Securities Regulation 124 South Euclid, Suite 104 Pierre, South Dakota 57501 (605) 773-~~4823~~3563
~~Virginia~~ VIRGINIA	State Corporation Commission Division of Securities and Retail Franchising 1300 East Main Street, Ninth Floor Richmond, Virginia 23219 (804) 371-9051	Clerk of the State Corporation Commission 1300 East Main Street First Floor Richmond, Virginia 23219 (804) 371-9733
~~Washington~~ WASHINGTON	Department of Financial Institutions Securities Division P O Box 9033 Olympia, Washington 98507-~~9033~~ (360) 902-8760	Director, Department of Financial Institutions Securities Division 150 Israel Road S W Tumwater, Washington 98501 (360) 902-8760
~~Wisconsin~~ WISCONSIN	Franchise Registration- Division of Securities Wisconsin Department of Financial Institutions 201 West Washington Avenue, Suite 300 Madison, Wisconsin 53703 (608) 266-1064	Securities and Franchise Registration Wisconsin Securities Commission 201 West Washington Avenue, Suite 300 Madison, Wisconsin 53703 (608) 266-1064

CHURRO STIX FRANCHISING, LLC

EXHIBIT B

TO FRANCHISE DISCLOSURE DOCUMENT

FRANCHISE AGREEMENT

FRANCHISE AGREEMENT

SUMMARY PAGE		
1	**Franchisee**	______________________
2	**Effective Date**	______________________
3	**Initial Franchise Fee**	$__________
4	**Development Area**	______________________
5	**Location**	______________________
6	**Protected Territory**	______________________
7.	**Opening Deadline**	______________
8.	**Principal Executive**	______________
9	**Franchisee's Address**	____________________________

TABLE OF CONTENTS

FRANCHISE AGREEMENT

~~This Agreement is made~~ This Fianchise Agreement (this Agieement') is made and enteied into as of the ' Effective Date set forth on the Summary Page of this Agieement (the 'Summary Page') by and between Churro Stix Franchising, LLC, a California limited liability company ("Churro Stix Franchising"), ~~and Franchisee on the Effective Date~~ on the one hand, and the individuals or Entity identified as "Fianchisee' on the Summary Page, on the othei hand, who are collectively refeiied to in this Agreement as "Parties with refeience to the following facts

~~Background Statement~~

A Churro Stix Franchising ~~has created~~ and ~~owns~~ its affiliates as the result of the expendituie of time, skill, effort and money have developed a system (the "System") for ~~developing~~ the establishment and ~~operating~~ operation of a food business selling made-to-order churros (a 'Churro Stix Business') under the trade name ~~Churro Stix~~

and service mark "Chuiro Stix' and other related tiadenames, service marks, logos and commeicial symbols (collectively the "Churro Stix Maiks) ~~B~~ The System includes (1) methods and procedures for developing and operating a Churro Stix ~~business~~ Business, (2) plans, specifications, equipment, signage and trade dress for Churro Stix ~~businesses~~ Businesses, (3) particular products and services, (4) the Churio Stix Marks, (5) training programs, (6) technical knowledge, (7) marketing plans and concepts, (8) a website, (9) accounting and bookkeeping specifications, (10) methods and standards of operation, and (11) other mandatory or optional elements as determined by Churro Stix Franchising from time to time

B ~~C The parties desiie that Churro Stix Franchising~~ Franchisee desires to obtain a license and franchise to use the Churro Stix Marks and the System to ~~Franchisee for~~ opeiate a Churro Stix Business, and Churro Stix Franchising is willing to grant Franchisee ~~to develop and operate a Churro Stix business on~~ a license and fianchise under the terms and conditions of this Agreement Fianchisee iepresents and warrants to Churio Stix Franchising, as an inducement to Churro Stix Fianchising s execution of this Agreement, that the information set forth on Attachment 1 is true, accuiate and complete in all material respects on the Effective Date with respect to the Owneis and the ownership of Franchisee

NOW, THEREFORE, THE PARTIES AGREE

ARTICLE 1 DEFINITIONS

"**Action**" means any action, suit, proceeding, claim, demand, governmental investigation, governmental inquiry, judgment or appeal thereof, whether formal or informal

"**Approved Vendor**" means a supplier, vendor, or distributor of Inputs which has been approved by Churro Stix Franchising

"**Business**" means the Churro Stix ~~business~~Business owned by Franchisee and operated under this Agreement

"**Churro Stix Marks** means the trade name and logo contained on the Summary Page and all other trade names, trademarks, service marks and logos specified by Churro Stix Franchising from to time for use in a Churro Stix Business

"**Competitor**" means any business which sells churros or which primarily sells desserts or snacks

"**Confidential Information**" means all non-public information of or about the System, Churro Stix Franchising, and any Churro Stix ~~business~~Business, including all methods for developing and operating the Business, and all non-public plans, data, financial information, processes, vendor pricing, supply systems, marketing systems, formulas, techniques, designs, layouts, operating procedures, customer data, information and know-how

"**Entity**" means any limited liability company, partnership trust, association corporation or other entity, which is not an individual

"**Gross Sales**" means the total dollar amount of all sales generated through the Churro Stix Business for a given period, including, but not limited to, payment for any services or products sold by Franchisee, whether for cash or credit Gross Sales does not include (i) bona fide refunds to customers, (ii) sales taxes collected by Franchisee, (iii) sales of used equipment not in the ordinary course of business, or (iv) sales of prepaid cards or similar products (but the redemption of any such card or product will be included in Gross Sales)

"**Input**" means any goods, services, supplies, fixtures, equipment, inventory, computer hardware and software, real estate, or comparable items related to establishing or operating the Business

"**Location**" means the location stated on the Summary Page

"**Losses**" includes (but is not limited to) all losses, damages, fines, charges, expenses, lost profits, reasonable attorneys' fees, travel expenses, expert witness fees, court costs, settlement amounts, judgments, loss of Churro Stix Franchising's reputation and goodwill, costs of or resulting from delays, financing, costs of advertising material and media time/space and the costs of changing, substituting or replacing the same, and any and all expenses of recall, refunds, compensation, public notices and other such amounts incurred in connection with the matters described

"**Operating Manual**" means Churro Stix Franchising's confidential Operating Manual(s), including any supplements, additions, or revisions from time to time, which may be in any form or media

"**Marketing Fund**" means the fund established (or which may be established) by Churro Stix Franchising into which Marketing Fund Contributions are deposited

~~"Marks" means the trade name and logo contained on the Summary Page and all other trade names, trademarks service marks and logos specified by Churro Stix Franchising from to time for use in a Churro Stix business~~

"**Owner**" means each person or entity which directly or indirectly owns or controls any equity of Franchisee If Franchisee is an individual person, then "Owner" means Franchisee

"**Protected Territory**" means the Protected Territory stated on the Summary Page

"**Remodel**" means a refurbishment, renovation, and remodeling of the Location to conform to the building design, exterior facade, trade dress, signage, fixtures, furnishings, equipment, decor, color schemes, presentation of the Churro Stix Marks, and other System Standards in a manner consistent with the image then in effect for a new Churro Stix ~~business~~Business

"**Required Vendor**" means a supplier, vendor, or distributor of Inputs which Churro Stix Franchising requires franchisees to use

"**System Standards**" means, as of any given time, the then-current mandatory procedures, requirements, and/or standards of the System as determined by Churro Stix Franchising, including without limitation, any procedures, requirements and/or standards for appearance, business metrics, cleanliness, customer service, design (such as construction, decoration, layout, furniture, fixtures and signs), equipment, inventory, marketing and public relations, operating hours, presentation of Churro Stix Marks, product and service offerings, quality of products and services (including any ~~guaranty~~guarantee and warranty programs), reporting, safety, technology (such as computers, computer peripheral equipment, smartphones, point-of-sale systems, back-office systems, information management systems, security systems, video monitors, other software, backup and archiving systems, communications systems (including email, audio, and video systems), payment acceptance systems, and internet access, as well as upgrades, supplements, and modifications thereto), uniforms, and vehicles

'**Summary Page**' means the table summary on the cover sheet to this Agreement that lists nine (9) distinct items concerning the Business, including matters such as the Effective Date, Initial Franchise Fee, Development Area, Location, Protected Territory, Opening Deadline, Franchisee s Principal Executive, and Franchisee s address

"**Transfer**' means for Franchisee (or any owner of Franchisee) to voluntarily or involuntarily transfer, sell, or dispose of, in any single or series of transactions, (i) substantially all of the assets of the Business, (ii) this Agreement, (iii) direct or indirect ownership interest of more than 25% of the Business, or (iv) control of the Business

ARTICLE 2 GRANT OF LICENSE

2 1 Grant Churro Stix Franchising grants to Franchisee the right to operate a Churro Stix ~~business~~Business solely at the Location If no Location is stated on the Summary Page when this

Agreement is signed, then the ~~parties~~Parties will determine the Location in accordance with Section 6 1 Franchisee shall develop, open and operate a Churro Stix ~~business~~Business at the Location for the entire term of this Agreement The ~~parties~~Parties acknowledge that Franchisee must operate the Business to meet Churro Stix Franchising's minimum System Standards but that the means of satisfying the System Standards are left to the control and discretion of Franchisee

2.2 Protected Territory Churro Stix Franchising shall not establish, nor license the establishment of, another Churro Stix ~~business~~Business within the Protected Territory Churro Stix Franchising retains the right, either directly or via affiliates, to

(i) establish and license others to establish and operate Churro Stix ~~businesses~~Business outside the Protected Territory,

(ii) operate and license others to operate businesses anywhere under different trademarks, other than the Churro Stix Marks, inside and outside the Protected Territory,

(iii) operate Churro Stix food trucks anywhere outside the Protected Territory, under the Churro Stix Marks or any other trademark,

(iv) offer catering services both inside and outside the Protected Territory,

(v) operate temporary event booths (e g street festivals), both inside and outside the Protected Territory, and

(vi) sell, market, distribute and solicit and license others to sell, market, distribute and solicit sales of products or services identified by the Churro Stix Marks, or by any other brands names, whether or not such brands are authorized for use by Franchisee, through different distribution channels, such as supermarkets, wholesale markets and convenience stores, as well as via the Internet, catalog sales, or other direct marketing sales even within Franchisee's Protected Territory

2.3 Franchisee Control Franchisee represents that Attachment 1 (i) identifies each owner, officer and director of Franchisee, and (ii) describes the nature and extent of each ~~owner's~~Owner s interest in Franchisee in all material respects on the Effective Date If any information on Attachment 1 changes (which is not a Transfer), Franchisee shall notify Churro Stix Franchising within 10 days

2 4 Principal Executive. Franchisee agrees that the person designated as the "Principal Executive" on the Summary Page is the executive primarily responsible for the Business and has decision-making authority on behalf of Franchisee The Principal Executive must have at least 10% ownership interest in Franchisee The Principal Executive does not have to serve as a day-to-day general manager of the Business, but the Principal Executive must devote substantial time and attention to the Business If the Principal Executive dies, becomes incapacitated, transfers his/her interest in Franchisee, or otherwise ceases to be the executive primarily responsible for the Business, Franchisee shall promptly designate a new Principal Executive, subject to Churro Stix Franchising's reasonable approval

2 5 ~~Guaranty~~**Guarantee** If Franchisee is an entity, then Franchisee shall have each Owner sign a personal ~~guaranty~~guarantee of Franchisee's obligations to Churro Stix Franchising, in the form of Attachment 2

2.6 No Conflict. Franchisee represents to Churro Stix Franchising that Franchisee and each of its Owners (i) are not violating any agreement (including any confidentiality or non-competition covenant) by entering into or performing under this Agreement, (ii) are not a direct or indirect owner of any Competitor, and (iii) are not listed or "blocked" in connection with, and are not in violation under, any anti-terrorism law, regulation, or executive order

ARTICLE 3. TERM

3 1 Term This Agreement commences on the Effective Date and continues for 10 years

3.2 Successor Agreement. When the term of this Agreement expires, Franchisee may enter into a successor agreement for up to 2 additional periods of 5 years each, subject to the following conditions prior to each renewal

(i) Franchisee notifies Churro Stix Franchising of the election to renew between 90 and 180 days prior to the end of the term,

(ii) Franchisee (and its affiliates) are in compliance with this Agreement and all other agreements with Churro Stix Franchising (or any of its affiliates) at the time of election and at the time of renewal,

(iii) Franchisee has made or agrees to make (within a period of time acceptable to Churro Stix Franchising) renovations and changes to the Business as Churro Stix Franchising requires to conform to the then-current System Standards,

(iv) Franchisee executes Churro Stix Franchising's then-current standard form of franchise agreement, which may be materially different than this form (including, without limitation, higher and/or different fees), except that Franchisee will not pay another initial franchise fee and will not receive another renewal or successor term, and

(v) Franchisee and each Owner executes a general release (on Churro Stix Franchising's then-standard form) of any and all claims against Churro Stix Franchising, its affiliates, and their respective owners, officers, directors, agents and employees

3 3 Month-to-Month Agreement If Franchisee does not sign Churro Stix Franchising s then-standard form Franchise Agreement prior to expiration of this Agreement and Franchisee continues to accept the benefits of this Agreement after it expires, then at Churro Stix

Franchising's option, this Agreement may be treated either as (i) expired as of the date this Agreement expires with Franchisee then operating without a license to do so and in violation of Churro Stix Franchising's rights, or (ii) continued on a month-to-month basis ("**Month-to-Month Agreement**") until one party provides the other with written notice of such party's intent to terminate the Month-to-Month Agreement, in which case the Month-to-Month Agreement will terminate thirty (30) days after receipt of the notice to terminate the Month-to-Month Agreement, or such longer notice period as is required by applicable law In the latter case, all of Franchisee's obligations shall remain in full force and effect during the Month-to-Month Agreement as if this Agreement had not expired and all obligations and restrictions imposed on Franchisee upon expiration of this Agreement shall be deemed to take effect upon termination of the Month-to-Month Agreement

ARTICLE 4 FEES

4.1 Initial Franchise Fee Upon signing this Agreement, Franchisee shall pay an initial franchise fee in the amount stated on the Summary Page This initial franchise fee is not refundable, except as provided in Section 6 4

4.2 Royalty Fee. Franchisee shall pay Churro Stix Franchising a monthly royalty fee (the "Royalty Fee") equal to 6% of Gross Sales The Royalty Fee for any given month is due on the 5th day of the following month

4.3 Marketing Contributions.

(a) Marketing Fund Contribution If the Marketing Fund is established, Franchisee shall pay Churro Stix Franchising a contribution to the Marketing Fund (the "Marketing Fund Contribution") equal to 1% of Franchisee's Gross Sales (or such lesser amount as Churro Stix Franchising determines), at the same time as the Royalty Fee

(b) ~~Marketing~~Market Cooperative Contribution If we require the Churro Stix Business ~~particpates~~to participate in a ~~Marketing~~local or regional advertising cooperative (a 'Market Cooperative~~, then~~), Franchisee shall contribute to the ~~Marketing~~Market Cooperative a percentage of Gross Sales (or other amount) an amount determined by the Market Cooperative

4 4 Non-Compliance Fee. Churro Stix Franchising may charge Franchisee $250 for any instance of non-compliance with the System Standards or this Agreement (other than Franchisee's non-payment of a fee owed to Churro Stix Franchising) If such non-compliance is ongoing, Churro Stix Franchising may charge Franchisee $250 per week until Franchisee ceases such non-compliance This fee is a reasonable estimate of Churro Stix Franchising's internal cost of personnel time attributable to addressing the non-compliance, and is not a penalty or estimate of all damages arising from Franchisee's breach The non-compliance fee is in addition to all of Churro Stix Franchising's other rights and remedies

4 5 Reimbursement Churro Stix Franchising may (but is never obligated to) pay on Franchisee's behalf any amount that Franchisee owes to a supplier or other third party If Churro Stix Franchising does so or intends to do so, Franchisee shall pay such amount plus a 10%

administrative charge to Churro Stix Franchising within 15 days after invoice by Churro Stix Franchising accompanied by reasonable documentation

4 6 Payment Terms.

(a) Method of Payment Franchisee shall pay the Royalty Fee, Marketing Fund Contribution, and any other amounts owed to Churro Stix Franchising by pre-authorized bank draft or in such other manner as Churro Stix Franchising may require

(b) Calculation of Fees Franchisee shall report monthly Gross Sales to Churro Stix Franchising by the 5th day of the following month If Franchisee fails to report monthly Gross Sales, then Churro Stix Franchising may withdraw estimated Royalty Fees and Marketing Fund Contributions equal to 125% of the last Gross Sales reported to Churro Stix Franchising, and the ~~parties~~Parties will true-up the actual fees after Franchisee reports Gross Sales Franchisee acknowledges that Churro Stix Franchising has the right to remotely access to Franchisee's point-of-sale system and to calculate Gross Sales

(c) Late Fees and Interest If Franchisee does not make a payment on time, Franchisee shall pay a $100 "late fee" plus interest on the unpaid amount at a rate equal to 10% per year (or, if such payment exceeds the maximum allowed by law, then interest at the highest rate allowed by law)

(d) Insufficient Funds Churro Stix Franchising may charge $50 for any payment returned for insufficient funds (or, if such amount exceeds the maximum allowed by law, then the fee allowed by law)

(e) Costs of Collection Franchisee shall repay any costs incurred by Churro Stix Franchising (including reasonable attorney fees) in attempting to collect payments owed by Franchisee

(f) Application Churro Stix Franchising may apply any payment received from Franchisee to any obligation and in any order as Churro Stix Franchising may determine, regardless of any designation by Franchisee

(g) Obligations Independent, No Set-Off The obligations of Franchisee to pay to Churro Stix Franchising any fees or amounts described in this Agreement are not dependent on Churro Stix Franchising's performance and are independent covenants by Franchisee Franchisee shall make all such payments without offset or deduction

ARTICLE 5 ASSISTANCE

5 1 Manual Churro Stix Franchising shall make its Operating Manual available to Franchisee

5.2 Assistance in Hiring Employees. Churro Stix Franchising shall provide its suggested staffing levels to Franchisee Churro Stix Franchising shall provide suggested guidelines for hiring employees All hiring decisions and conditions of employment are Franchisee's sole responsibility

5 3 Assistance in Training Employees Churro Stix Franchising shall, to the extent it deems appropriate, provide programs for Franchisee to conduct training of new employees

5 4 Pre-Opening Assistance

(a) Selecting Location Churro Stix Franchising shall provide its criteria for Churro Stix locations to Franchisee Churro Stix Franchising will review and advise Franchisee regarding potential locations submitted by Franchisee

(b) Pre-Opening Plans, Specifications, and Vendors Within a reasonable period of time after the Effective Date, Churro Stix Franchising shall provide Franchisee with (i) Churro Stix Franchising's sample set of standard building plans and specifications and/or standard recommended floor plans, (ii) the applicable System Standards, (iii) other specifications as Churro Stix Franchising deems appropriate (which may include specifications regarding inventory, supplies, materials, and other matters), and (iv) Churro Stix Franchising's lists of Approved Vendors and/or Required Vendors

(c) Business Plan Review If requested by Franchisee, Churro Stix Franchising shall review and advise on Franchisee's pre-opening business plan and financial projections Franchisee acknowledges that Churro Stix Franchising accepts no responsibility for the performance of the Business

(d) Pre-Opening Training Churro Stix Franchising shall make available its standard pre-opening training to the Principal Executive and up to 1 other employee at Churro Stix Franchising's headquarters and/or at a Churro Stix ~~business~~Business designated by Churro Stix Franchising Churro Stix Franchising shall not charge any fee for this training Franchisee is responsible for its own travel, lodging, meal, and other out-of-pocket expenses

(e) Grand Opening Marketing Plan Churro Stix Franchising shall advise Franchisee regarding the planning and execution of Franchisee's grand opening marketing plan

(f) On-Site Opening Assistance Churro Stix Franchising shall have a representative support Franchisee's grand opening with at least 3-4 days of onsite opening training and assistance

5 5 Post-Opening Assistance.

(a) Advice, Consulting, and Support If Franchisee requests, Churro Stix Franchising will provide advice to Franchisee (by telephone or electronic communication) regarding improving and developing Franchisee's ~~business~~Business, and resolving operating problems Franchisee encounters, to the extent Churro Stix Franchising deems reasonable If Churro Stix Franchising provides in-person support in response to Franchisee's request, Churro Stix

Franchising may charge its then-current special support fee plus any out-of-pocket expenses (such as travel, lodging, and meals for employees providing onsite support)

(b) Pricing Upon request, Churro Stix Franchising will provide recommended prices for products and services offered by franchisees of the System

(c) Procedures Churro Stix Franchising will provide Franchisee with Churro Stix Franchising's recommended administrative, bookkeeping, accounting, and inventory control procedures Churro Stix Franchising may make any such procedures part of required (and not merely recommended) System Standards

(d) Marketing Churro Stix Franchising shall manage the Marketing Fund

(e) Internet Churro Stix Franchising shall maintain a website for Churro Stix, which will include Franchisee's location (or territory) and telephone number

ARTICLE 6 LOCATION, DEVELOPMENT, AND OPENING

6.1 Location. Franchisee is solely responsible for selecting the Location If the Location is not stated on the Summary Page, then Franchisee shall find a Location within the Development Area described on the Summary Page, and submit its proposed Location to Churro Stix Franchising for acceptance, with all related information Churro Stix Franchising may request If Churro Stix Franchising does not accept the proposed Location in writing within 30 days, then it is deemed rejected Churro Stix Franchising's advice regarding or acceptance of a site is not a representation or warranty that the Business will be successful, and Churro Stix Franchising has no liability to Franchisee with respect to the location of the Business

6 2 Lease. In connection with any lease between Franchisee and the landlord of the Location (i) if requested by Churro Stix Franchising, Franchisee must submit the proposed lease to Churro Stix Franchising for written approval, (ii) the term of the lease (including renewal terms) must be for a period of not less than the term of this Agreement, and (iii) Franchisee shall obtain a rider to the lease signed by the landlord to the Location, on the form required by Churro Stix Franchising

6.3 Development Franchisee shall construct (or remodel) and finish the Location in conformity with Churro Stix Franchising's System Standards If required by Churro Stix Franchising, Franchisee shall engage the services of an architect licensed in the jurisdiction of the Location Franchisee shall not begin any construction or remodeling work without first obtaining Churro Stix Franchising's approval of Franchisee's plans Churro Stix Franchising may, but is not required to, inspect Franchisee's construction or remodeling progress at any reasonable time Franchisee shall not rely upon any information provided or opinions expressed by Churro Stix Franchising or its representatives regarding any architectural, engineering or legal matters in the development and construction of the Business, and Churro Stix Franchising assumes no liability with respect thereto Churro Stix Franchising's inspection and/or approval to open the Business is not a representation or a warranty that the Business has been constructed in accordance with any architectural, engineering or legal standards

6 4 New Franchisee Training Franchisee's Principal Executive must complete Churro Stix Franchising's training program for new franchisees If the Principal Executive (i) fails to complete the initial training program to Churro Stix Franchising's satisfaction, or (ii) Churro Stix Franchising concludes, no more than 10 days after the Principal Executive completes the initial training program, that the Principal Executive does not have the ability to satisfactorily operate the Business, then Churro Stix Franchising may terminate this Agreement In such event, Churro Stix Franchising shall refund the initial franchise fee to Franchisee (less any out-of-pocket costs incurred by Churro Stix Franchising), subject to Franchisee's prior execution of a general release of liability of Churro Stix Franchising and its affiliates, in a form prescribed by Churro Stix Franchising

6.5 Conditions To Opening Franchisee shall notify Churro Stix Franchising at least 30 days before Franchisee intends to open the Business to the public Before opening, Franchisee must satisfy all of the following conditions (1) Franchisee is in compliance with this Agreement, (2) Franchisee has obtained all applicable governmental permits and authorizations, (3) the Business conforms to all applicable System Standards, (4) Churro Stix Franchising has inspected and approved the Business, (5) Franchisee has hired sufficient employees, (6) Franchisee's officers and employees have completed all of Churro Stix Franchising's required pre-opening training, (7) Franchisee has conducted the grand opening marketing campaign required under <u>Section 9 6</u>, and (8) Churro Stix Franchising has given its written approval to open, which will not be unreasonably withheld

6 6 Opening Date. Franchisee shall open the Business to the public on or before the date stated on the Summary Page

ARTICLE 7. OPERATIONS

7 1 Compliance With Manual and System Standards Franchisee shall at all times and at its own expense comply with all System Standards and with all other mandatory obligations contained in the <u>Operating</u> Manual

7.2 Compliance With Law Franchisee and the Business shall comply with all laws and regulations Franchisee and the Business shall obtain and keep in force all governmental permits and licenses necessary for the Business

7 3 Food Service

(a) <u>Menu</u> Franchisee shall offer all menu items and other products and services, and only those menu items, products and services, from time to time prescribed by Churro Stix Franchising in the <u>Operating</u> Manual or otherwise in writing

(b) <u>Preparation</u> Franchisee shall follow all recipes prescribed by Churro Stix Franchising, including, without limitation, use of all ingredients specified or authorized by Churro Stix Franchising, and only such ingredients

(c) Method of Sale Franchisee shall make sales only at the Location, or by delivery of products made at the Location Franchisee does not have the right to offer catering services where Franchisee makes churros fresh at the customer's event location (e g business events, weddings), operate temporary event locations (e g street festivals), or operate a mobile business (e g food truck) without the prior approval of Churro Stix Franchising Franchisee must comply with any Systems Standards instituted by Churro Stix Franchising from time to time with respect to any such method of sale Unless otherwise approved in writing by Churro Stix Franchising, Franchisee shall not make sales by any other means, including food trucks

7.4 Prices Franchisee retains the sole discretion to determine the prices it charges for menu items

7.5 Personnel

(a) Service Franchisee shall cause its personnel to render competent and courteous service to all customers and members of the public

(b) Appearance Franchisee shall cause its personnel to comply with any dress attire, uniform, personal appearance and hygiene standards set forth in the Operating Manual

(c) Qualifications Churro Stix Franchising may set minimum qualifications for categories of employees employed by Franchisee

(d) Sole Responsibility Franchisee is solely responsible for the terms and conditions of employment of all of its personnel, including recruiting, hiring, training, scheduling, supervising, compensation, and termination Franchisee is solely responsible for all actions of its personnel Franchisee and Churro Stix Franchising are not joint employers, and no employee of Franchisee will be an agent or employee of Churro Stix Franchising Franchisee shall take all action necessary to ensure that Franchisee s employees understand and acknowledge that they are not employees of Churro Stix Franchising, including, without limitation, requiring Franchisee's employees to sign a written acknowledgement that Franchisee is an independently owned and operated franchise and their sole employer in a form specified by Churro Stix Franchising in the Operating Manual or otherwise in writing from time to time

7 6 Post-Opening Training Churro Stix Franchising may at any time require that the Principal Executive and/or any other employees complete training programs, in any format and in any location determined by Churro Stix Franchising Churro Stix Franchising may charge a reasonable fee for any training programs Churro Stix Franchising may require Franchisee to provide training programs to its employees If a training program is held at a location which requires travel by the Principal Executive or any other employee, then Franchisee shall pay all travel, living and other expenses

7 7 Guaranties and Warranties Franchisee shall implement any guaranties, warranties, or similar commitments regarding products and/or services that Churro Stix Franchising may require

7.8 Customer Complaints Franchisee shall use its best efforts to promptly resolve any customer complaints Churro Stix Franchising may take any action it deems appropriate to resolve a customer complaint regarding the Business, and Churro Stix Franchising may require Franchisee to reimburse Churro Stix Franchising for any expenses

7 9 Customer Evaluation and System Compliance Programs Franchisee shall participate at its own expense in programs required from time to time by Churro Stix Franchising for obtaining customer evaluations and/or reviewing Franchisee's compliance with the System, which may include (but are not limited to) a customer feedback system, customer survey programs, and mystery shopping Churro Stix Franchising shall share with Franchisee the results of these programs, as they pertain to the Business Franchisee must meet or exceed any minimum score requirements set by Churro Stix Franchising for such programs

7.10 Payment Systems Franchisee shall accept payment from customers in any form or manner designated by Churro Stix Franchising (which may include, for example, cash, specific credit and/or debit cards, gift cards, electronic fund transfer systems, and mobile payment systems) Franchisee shall purchase or lease all equipment and enter into all business relationships necessary to accept payments as required by Churro Stix Franchising Franchisee must at all times comply with payment card industry data security standards (PCI-DSS)

______**7 11 Gift Cards, Loyalty Programs, and Incentive Programs.** At its own expense, Franchisee shall sell or otherwise issue gift cards, certificates, or other pre-paid systems, and participate in any customer loyalty programs or customer incentive programs, designated by Churro Stix Franchising, in the manner specified by Churro Stix Franchising in the Operating Manual or otherwise in writing Franchisee shall honor all valid gift cards and other pre-paid systems, regardless of whether issued by Franchisee or another Churro Stix ~~business~~Business Franchisee shall comply with all procedures and specifications of Churro Stix Franchising related to gift cards, certificates, and other pre-paid system, or related to customer loyalty or customer incentive programs

7 12 Maintenance and Repair Franchisee shall at all times keep the Business in a neat and clean condition, perform all appropriate maintenance, and keep all physical property in good repair In addition, Franchisee shall promptly perform all work on the physical property to the Business as Churro Stix Franchising may prescribe from time to time, including but not limited to periodic interior and exterior painting, resurfacing of the parking lot, roof repairs, and replacement of obsolete or worn out signage, floor coverings, furnishings, equipment and décor Franchisee acknowledges that the System Standards may include requirements for cleaning, maintenance, and repair

7.13 Remodeling. In addition to Franchisee's obligations to comply with all System Standards in effect from time to time, Churro Stix Franchising may require Franchisee to undertake and complete a Remodel of the Location to Churro Stix Franchising's satisfaction Franchisee must complete the Remodel in the time frame specified by Churro Stix Franchising Churro Stix Franchising may require the Franchisee to submit plans for Churro Stix Franchising's reasonable approval prior commencing a required Remodel Churro Stix Franchising's right to require a Remodel is limited as follows (i) the Remodel will not be required in the first two or last two years of the term (except that a Remodel may be required as a condition to renewal of the term or a Transfer), and (ii) a Remodel will not be required more than once every five years from the date on which Franchisee was required to complete the prior Remodel

7 14 Meetings The Principal Executive shall use reasonable efforts to attend all in-person meetings and remote meetings (such as telephone conference calls) that Churro Stix Franchising requires, including any national or regional brand conventions Franchisee shall not permit the Principal Executive to fail to attend more than three consecutive required meetings

7 15 Insurance

(a) Franchisee shall obtain and maintain insurance policies in the types and amounts as specified by Churro Stix Franchising in the Operating Manual If not specified in the Operating Manual, Franchisee shall maintain at least the following insurance coverage

(i) Commercial General Liability insurance, including products liability coverage, and broad form commercial liability coverage, written on an "occurrence" policy form in an amount of not less than $1,000,000 single limit per occurrence and $2,000,000 aggregate limit,

(ii) Business Automobile Liability insurance including owned, leased, non-owned and hired automobiles coverage in an amount of not less than $1,000,000, and

(iii) Workers Compensation coverage as required by state law

(b) Franchisee's policies must list Churro Stix Franchising, its affiliates, and their respective officers, directors, employees, and agents as additional insureds and the policies must stipulate that Churro Stix Franchising shall receive a 30-day prior written notice of cancellation Franchisee shall provide Certificates of Insurance evidencing the required coverage to Churro Stix Franchising prior to opening and upon annual renewal of the insurance coverage, as well as at any time upon request of Churro Stix Franchising

7 16 Suppliers and Landlord Franchisee shall pay all vendors and suppliers in a timely manner If Franchisee leases the Location, Franchisee shall comply with its lease for the Location

7 17 Public Relations. Franchisee shall not make any public statements (including giving interviews or issuing press releases) regarding Churro Stix, the Business, or any particular incident or occurrence related to the Business, without Churro Stix Franchising's prior written approval

7 18 Association With Causes. Franchisee shall not in the name of the Business (i) donate money, products, or services to any charitable, political, religious, or other organization, or (ii) act in support of any such organization, without Churro Stix Franchising's prior written approval

7 19 No Other Activity At the Location Franchisee shall not engage in any activity at the Location other than operation of the Churro Stix Business

7 20 No Other Businesses If Franchisee is an entity, Franchisee shall not own or operate any other business except Churro Stix ~~businesses~~Businesses

7 21 No Third Party Management Franchisee shall not engage a third-party management company to manage or operate the Business without the prior written approval of Churro Stix Franchising, which will not be unreasonably withheld

7.22 No Co-Branding Franchisee shall not "co-brand" or associate any other business activity with the Churro Stix Business in a manner which is likely to cause the public to perceive it to be related to the Churro Stix Business

7 23 Identification Franchisee must identify itself as the independent owner of the Business in the manner prescribed by Churro Stix Franchising Franchisee must display at the Business signage prescribed by Churro Stix Franchising identifying the Location as an independently owned franchise

ARTICLE 8 SUPPLIERS AND VENDORS

8 1 Generally. Churro Stix Franchising may require Franchisee to purchase or lease any Inputs from Churro Stix Franchising, from Churro Stix Franchising's designee, Required Vendors, Approved Vendors, and/or under Churro Stix Franchising's specifications Churro Stix Franchising may change any such requirement or change the status of any vendor To make such requirement or change effective, Churro Stix Franchising shall issue the appropriate System Standards

8.2 Alternate Vendor Approval If Churro Stix Franchising requires Franchisee to purchase a particular Input only from an Approved Vendor or Required Vendor, and Franchisee desires to purchase the Input from another vendor, then Franchisee must submit a written request for approval and any information, specifications and/or samples requested by Churro Stix Franchising Churro Stix Franchising may condition its approval on such criteria as Churro Stix Franchising deems appropriate, which may include evaluations of the vendor's capacity, quality, financial stability, reputation, and reliability, inspections, product testing, and performance reviews Churro Stix Franchising will provide Franchisee with written notification of the approval or disapproval of any propose new vendor within 30 days after receipt of Franchisee's request

8.3 Alternate Input Approval If Churro Stix Franchising requires Franchisee to purchase a particular Input, and Franchisee desires to purchase an alternate to the Input, then Franchisee must submit a written request for approval and any information, specifications and/or samples requested by Churro Stix Franchising Churro Stix Franchising will provide Franchisee with written notification of the approval or disapproval of any proposed alternate Input within 30 days after receipt of Franchisee's request

8 4 **Purchasing** Churro Stix Franchising may implement a centralized purchasing system and negotiate prices and terms with vendors on behalf of the System Churro Stix Franchising may receive rebates or payments from vendors in connection with purchases by franchisees Churro Stix Franchising may establish a purchasing cooperative and require Franchisee to join and participate in the purchasing cooperative on such terms and conditions as Churro Stix Franchising may determine

ARTICLE 9. MARKETING

9 1 **Implementation** Franchisee shall not use any marketing materials or campaigns (including point-of-sale materials, advertising, social media marketing, and sponsorships) that have not been approved by Churro Stix Franchising Franchisee shall implement any marketing plans or campaigns determined by Churro Stix Franchising

9.2 **Use By Churro Stix Franchising** Churro Stix Franchising may use any marketing materials or campaigns developed by or on behalf of Franchisee, and Franchisee hereby grants an unlimited, royalty-free license to Churro Stix Franchising for such purpose

9 3 **Marketing Fund** On 90 days prior written notice to Franchisee, Churro Stix Franchising may establish a Marketing Fund to promote the System on a local, regional, national, and/or international level If Churro Stix Franchising has established a Marketing Fund

(a) Separate Account Churro Stix Franchising shall hold the Marketing Fund Contributions from all franchisees in one or more bank accounts separate from Churro Stix Franchising's other accounts

(b) Use Churro Stix Franchising shall use the Marketing Fund only for marketing, advertising, and public relations materials, programs and campaigns (including at local, regional, national, and/or international level), and related overhead The foregoing includes such activities and expenses as Churro Stix Franchising reasonably determines, and may include, without limitation development and placement of advertising and promotions, sponsorships, contests and sweepstakes, development of décor, trade dress, Churro Stix Marks, and/or branding, development and maintenance of brand websites, social media, internet activities, e-commerce programs, search engine optimization, market research, public relations, media or agency costs, trade shows and other events, printing and mailing, and administrative and overhead expenses related to the Marketing Fund (including the compensation of Churro Stix Franchising's employees working on marketing and for accounting, bookkeeping, reporting, legal and other expenses related to the Marketing Fund

(c) Discretion Franchisee agrees that expenditures from the Marketing Fund need not be proportionate to contributions made by Franchisee or provide a direct or any benefit to Franchisee The Marketing Fund will be spent at Churro Stix Franchising's sole discretion, and Churro Stix Franchising has no fiduciary duty with regard to the Marketing Fund

(d) Surplus or Deficit Churro Stix Franchising may accumulate ~~funds in~~contributions to the Marketing Fund and carry the balance over to subsequent years If the Marketing Fund operates at a deficit or requires additional ~~funds~~contributions at any time, Churro Stix Franchising may loan such funds to the National Marketing Fund on reasonable terms

(e) Financial Statement Churro Stix Franchising will prepare an ~~unaudited~~ annual ~~financial statement~~accounting of the Marketing Fund ~~within 120 days of the close of~~ and will distribute it to Churro Stix ~~Franchising's fiscal~~franchisees once a year ~~and will provide the financial statement to Franchisee upon~~on request

~~9 4~~ Such annual accounting will state the total amount of money collected and spent by the Marketing ~~Cooperatives~~ Fund during the previous year and list, by general category, the manner in which Churro Stix Franchising ~~may~~spent the money The report need not be separately audited, but will be examined as part of the overall annual audit of Churro Stix Franchising

9 4 Market Cooperatives Churro Stix Franchising reserves the right to establish ~~market advertising and promotional cooperative funds ("~~a Market Cooperative~~")~~ in any geographical areas on 90 days written notice to Franchisee If a Market Cooperative for the geographic area encompassing the Location has been established at the time Franchisee commences operations hereunder, Franchisee shall immediately become a member of such Market Cooperative If a Market Cooperative for the geographic area encompassing the Location is established during the term of this Agreement, Franchisee shall become a member of such Market Cooperative within 30 days Churro Stix Franchising shall not require Franchisee to be a member of more than one Market Cooperative If Churro Stix Franchising establishes a Market Cooperative

(a) Governance Each Market Cooperative will be organized and governed in a form and manner, and shall commence operations on a date, determined by Churro Stix Franchising Churro Stix Franchising may require the Market Cooperative to adopt bylaws or regulations prepared by Churro Stix Franchising Unless otherwise specified by Churro Stix Franchising, the activities carried on by each Market Cooperative shall be decided by a majority vote of its members Churro Stix Franchising will be entitled to attend and participate in any meeting of a Market Cooperative Any Churro Stix ~~business~~Business owned by Churro Stix Franchising in the Market Cooperative shall have the same voting rights as those owned by its franchisees Each Churro Stix Business owner will be entitled to cast one vote for each Churro Stix Business owned, provided, however, that a franchisee shall not be entitled to vote if it is in default under its franchise agreement If the members of a Market Cooperative are unable or fail to determine the manner in which Market Cooperative monies will be spent, Churro Stix Franchising may assume this decision-making authority after 10 days' notice to the members of the Market Cooperative

(b) Purpose Each Market Cooperative shall be devoted exclusively to administering local or regional advertising and marketing programs and developing (subject to Churro Stix Franchising's approval), standardized promotional materials for use by the members in local advertising and promotion

(c) Approval No advertising or promotional plans or materials may be used by a Market Cooperative or furnished to its members without the prior approval of Churro Stix

Franchising pursuant to Section 9 1 Churro Stix Franchising may designate the national or regional advertising agencies used by the Market Cooperative

(d) Funding The majority vote of the Market Cooperative will determine the dues to be paid by members of the Market Cooperative, including Franchisee, but not less than 1% of Gross Sales

(e) Enforcement Only Churro Stix Franchising will have the right to enforce the obligations of franchisees who are members of a Market Cooperative to contribute to the Market Cooperative

(f) Termination Churro Stix Franchising may terminate any Market Cooperative Any funds left in a Market Cooperative upon termination will be transferred to the Marketing Fund

9 5 ~~Required Spending~~Local Marketing Expenditure Commencing when the Business opens, Franchisee shall spend at least 1% of Gross Sales each month on local promotion and marketing for the Business Upon request of Churro Stix Franchising, Franchisee shall furnish such proof of its compliance with this Section Churro Stix Franchising has the sole discretion to determine what activities constitute "local promotion and marketing" under this Section Churro Stix Franchising may, in its discretion, determine that if Franchisee contributes to a Market Cooperative, the amount of the contribution will be ~~counted towards~~credited toward Franchisee's required spending under this Section

9 6 Grand Opening Marketing. Franchisee must develop a grand opening marketing plan and obtain Churro Stix Franchising's approval of the grand opening marketing plan at least 90 days before the projected opening date of the Business

9.7 Internet Marketing Churro Stix Franchising has the exclusive right to conduct and manage all marketing and commerce on the internet or other electronic medium, including all websites and "social media" marketing Franchisee shall not conduct such marketing or commerce, nor establish any website or social media presence independently, except as Churro Stix Franchising may specify, and only with Churro Stix Franchising's consent Churro Stix Franchising retains the right to approve any linking to or other use of Churro Stix Franchising's website Franchisee must comply with any internet, online commerce and/or social media policy that Churro Stix Franchising may prescribe

ARTICLE 10 RECORDS AND REPORTS

10.1 Systems Franchisee shall use such customer data management, sales data management, administrative, bookkeeping, accounting, and inventory control procedures and systems as Churro Stix Franchising may specify in the Operating Manual or otherwise in writing

10.2 Reports.

(a) Financial Reports Franchisee shall provide such periodic financial reports as Churro Stix Franchising may require in the Operating Manual or otherwise in writing, including

(i) a quarterly profit and loss statement and balance sheet for the Business within 30 days after the end of each fiscal quarter of Churro Stix Franchising's fiscal year, and

(ii) an annual financial statement (including profit and loss statement, cash flow statement, and balance sheet) for the Business within 90 days after the end of Churro Stix Franchising's fiscal year

(b) Legal Actions and Investigations Franchisee shall promptly notify Churro Stix Franchising of any Action or threatened Action by any customer, governmental authority, or other third party against Franchisee or the Business, or otherwise involving the Franchisee or the Business Franchisee shall provide such documents and information related to any such Action as Churro Stix Franchising may request

(c) Government Inspections Franchisee shall give Churro Stix Franchising copies of all inspection reports, warnings, certificates, and ratings issued by any governmental entity with respect to the Business, within three days of Franchisee's receipt thereof

(d) Other Information Franchisee shall submit to Churro Stix Franchising such other financial statements, reports, records, copies of contracts, documents related to litigation, tax returns, copies of governmental permits, and other documents and information related to the Business as specified in the Operating Manual or that Churro Stix Franchising may reasonably request

10.3 Initial Investment Report. Within 120 days after opening for business, Franchisee shall submit to Churro Stix Franchising a report detailing Franchisee's investment costs to develop and open the Business, with costs allocated to the categories described in Item 7 of Churro Stix Franchising's Franchise Disclosure Document and with such other information as Churro Stix Franchising may request

10 4 Business Records Franchisee shall keep accurate books and records reflecting all expenditures and receipts of the Business, with supporting documents (including, but not limited to, payroll records, payroll tax returns, register receipts, production reports, sales invoices, bank statements, deposit receipts, cancelled checks and paid invoices) for at least three years Franchisee shall keep such other business records as Churro Stix Franchising may specify in the Operating Manual or otherwise in writing

10 5 Records Audit Churro Stix Franchising may examine and audit all books and records related to the Business, and supporting documentation, at any reasonable time Churro Stix Franchising may conduct the audit at the Location and/or require Franchisee to deliver copies of books, records and supporting documentation to a location designated by Churro Stix

Franchising Franchisee shall also reimburse Churro Stix Franchising for all costs and expenses of the examination or audit if (i) Churro Stix Franchising conducted the audit because Franchisee failed to submit require reports or was otherwise not in compliance with the System, or (ii) the audit reveals that Franchisee understated Gross Sales by 3% or more for any 4-week period

10 6 Remote Access To Point of Sale System and Video Systems Franchisee shall give Churro Stix Franchising unlimited access to Franchisee's point of sale system, video fees and recordings, and other hardware and software systems related to the operation of the Business, by any means designated by Churro Stix Franchising

ARTICLE 11 FRANCHISOR RIGHTS

11.1 Manual; Modification. The Operating Manual, and any part of the Operating Manual, may be in any form or media determined by Churro Stix Franchising Churro Stix Franchising may supplement, revise, or modify the Operating Manual, and Churro Stix Franchising may change, add or delete System Standards at any time in its discretion Churro Stix Franchising may inform Franchisee thereof by any method that Churro Stix Franchising deems appropriate (which need not qualify as "notice" under Section 18 9) In the event of any dispute as to the contents of the Operating Manual, Churro Stix Franchising's master copy will control

11 2 Inspections. Churro Stix Franchising may enter the premises of the Business from time to time during normal business hours and conduct an inspection Franchisee shall cooperate with Churro Stix Franchising's inspectors The inspection may include, but is not limited to, observing operations, conducting a physical inventory, evaluating physical conditions, monitoring sales activity, speaking with employees and customers, and removing samples of products, supplies and materials Churro Stix Franchising may videotape and/or take photographs of the inspection and the Business Without limiting Churro Stix Franchising's other rights under this Agreement, Franchisee will, as soon as reasonably practical, correct any deficiencies noted during an inspection If Churro Stix Franchising conducts an inspection because of a governmental report, customer complaint or other customer feedback, or a default or non-compliance with any System Standard by Franchisee (including following up a previous failed inspection), then Churro Stix Franchising may charge all out-of-pocket expenses plus its then-current inspection fee to Franchisee

11 3 Churro Stix Franchising's Right To Cure If Franchisee breaches or defaults under any provision of this Agreement, Churro Stix Franchising may (but has no obligation to) take any action to cure the default on behalf of Franchisee, without any liability to Franchisee Franchisee shall reimburse Churro Stix Franchising for its costs and expenses (including the allocation of any internal costs) for such action, plus 10% as an administrative fee

11 4 Right to Discontinue Supplies Upon Default. While Franchisee is in default or breach of this Agreement, Churro Stix Franchising may (i) require that Franchisee pay cash on delivery for products or services supplied by Churro Stix Franchising, (ii) stop selling or providing any products and services to Franchisee, and/or (iii) request any third party vendors to not sell or provide products or services to Franchisee No such action by Churro Stix Franchising shall be a breach or constructive termination of this Agreement, change in competitive circumstances or similarly characterized, and Franchisee shall not be relieved of any obligations under this Agreement because of any such action Such rights of Churro Stix Franchising are in addition to any other right or remedy available to Churro Stix Franchising

11 5 Business Data. All customer data and other data generated by the Business will be exclusively owned by Churro Stix Franchising Churro Stix Franchising hereby licenses such data back to Franchisee without charge solely for Franchisee's use in connection with the Business for the term of this Agreement

11.6 Innovations Franchisee shall disclose to Churro Stix Franchising all ideas, plans, improvements, concepts, methods and techniques relating to the Business (collectively, "Innovations") conceived or developed by Franchisee, its employees, agents or contractors Churro Stix Franchising will automatically own all Innovations, and will have the right to use and incorporate any Innovations into the System, without any compensation to Franchisee

11 7 Delegation Churro Stix Franchising may delegate any duty or obligation of Churro Stix Franchising under this Agreement to a third party

11 8 System Variations. Churro Stix Franchising may vary or waive any System Standard for any one or more Churro Stix franchises due to the peculiarities of the particular site or circumstances, density of population, business potential, population of trade area, existing business practices or any other condition relevant to the performance of a franchise or group of franchises Franchisee is not entitled to the same variation or waiver

11 9 Temporary Public Safety Closure. If Churro Stix Franchising discovers or becomes aware of any aspect of the Business which, in Churro Stix Franchising's opinion, constitutes an imminent danger to the health or safety of any person, then immediately upon Churro Stix Franchising's order, Franchisee must temporarily cease operations of the Business and remedy the dangerous condition Churro Stix Franchising shall have no liability to Franchisee or any other person for action or failure to act with respect to a dangerous condition

ARTICLE 12 MARKS

12.1 Authorized Marks Franchisee shall use no trademarks, service marks or logos in connection with the Business other than the Churro Stix Marks Franchisee shall use all Churro Stix Marks specified by Churro Stix Franchising, and only in the manner as Churro Stix Franchising may require Franchisee has no rights in the Churro Stix Marks other than the right to use them in the operation of the Business in compliance with this Agreement All use of the Churro Stix Marks by Franchisee and any goodwill associated with the Churro Stix Marks, including any goodwill arising due to Franchisee's operation of the Business, will inure to the exclusive benefit of Churro Stix Franchising

12 2 Change of Churro Stix Marks Churro Stix Franchising may add, modify, or discontinue any Churro Stix Marks to be used under the System Within a reasonable time after Churro Stix Franchising makes any such change, Franchisee must comply with the change, at Franchisee's expense

12 3 Infringement

(a) Defense of Franchisee If Franchisee has used the Churro Stix Marks in accordance with this Agreement, then (i) Churro Stix Franchising shall defend Franchisee (at Churro Stix Franchising's expense) against any Action by a third party alleging infringement by Franchisee's use of a Mark, and (ii) Churro Stix Franchising will indemnify Franchisee for expenses and damages if the Action is resolved unfavorably to Franchisee

(b) Infringement By Third Party Franchisee shall promptly notify Churro Stix Franchising if Franchisee becomes aware of any possible infringement of a Mark by a third party Churro Stix Franchising may, in its sole discretion, commence or join any claim against the infringing party

(c) Control Churro Stix Franchising shall have the exclusive right to control any prosecution or defense of any Action related to possible infringement of or by the Churro Stix Marks

ARTICLE 13 COVENANTS

13 1 Confidential Information With respect to all Confidential Information, Franchisee shall (a) adhere to all procedures prescribed by Churro Stix Franchising for maintaining confidentiality, (b) disclose such information to its employees only to the extent necessary for the operation of the Business, (c) not use any such information in any other business or in any manner not specifically authorized in writing by Churro Stix Franchising, (d) exercise the highest degree of diligence and effort to maintain the confidentiality of all such information during and after the term of this Agreement, (e) not copy or otherwise reproduce any Confidential Information, and (f) promptly report any unauthorized disclosure or use of Confidential Information Franchisee acknowledges that all Confidential Information is owned by Churro Stix Franchising (except for Confidential Information which Churro Stix Franchising licenses from another person or entity) This Section will survive the termination or expiration of this Agreement indefinitely

13 2 Covenants Not to Compete

(a) Restriction – In Term During the term of this Agreement, neither Franchisee, any Owner, nor any spouse of an Owner (the "Restricted Parties") shall directly or indirectly have any ownership interest in, or be engaged or employed by, any Competitor

(b) Restriction – Post Term For two years after this Agreement expires or is terminated for any reason (or, if applicable, for two years after a Transfer), no Restricted Party shall directly or indirectly have any ownership interest in, or be engaged or employed by, any Competitor within five miles of Franchisee's Protected Territory or the Protected Territory of any other Churro Stix ~~business~~Business operating on the date of termination or transfer, as applicable

(c) Interpretation The ~~parties~~Parties agree that each of the foregoing covenants is independent of any other covenant or provision of this Agreement If all or any portion of the covenants in this Section is held to be unenforceable or unreasonable by any court, then ~~parties~~Parties intend that the court modify such restriction to extent reasonably necessary to protect the legitimate business interests of Churro Stix Franchising Franchisee agrees that the existence of any claim it may have against Churro Stix Franchising shall not constitute a defense to the enforcement by Churro Stix Franchising of the covenants of this Section If a Restricted Party fails to comply with the obligations under this Section during the restrictive period, then the restrictive period will be extended for each day of noncompliance

13 3 Employee Recruitment. During the term of this Agreement and for one year after termination, transfer, or expiration of this Agreement, Franchisee shall not knowingly employ or seek to employ or engage as an independent contractor any person then employed by Churro Stix Franchising or by any other Churro Stix franchisee

13 4 General Manager and ~~Key~~Managerial Employees If requested by Churro Stix Franchising, Franchisee will cause its general manager and other ~~key~~supervisorial and managerial employees to sign Churro Stix Franchising's then-current form of confidentiality and non-compete agreement

ARTICLE 14. DEFAULT AND TERMINATION

14 1 Termination by Franchisee. Franchisee may terminate this Agreement only if Churro Stix Franchising violates a material provision of this Agreement and fails to cure or to make substantial progress toward curing the violation within 30 days after receiving written notice from Franchisee detailing the alleged default Termination by Franchisee is effective 10 days after Churro Stix Franchising receives written notice of termination

14.2 Termination by Churro Stix Franchising

(a) Subject to 10-Day Cure Period Churro Stix Franchising may terminate this Agreement if Franchisee does not make any payment to Churro Stix Franchising when due, or if Franchisee does not have sufficient funds in its account when Churro Stix Franchising attempts an electronic funds withdrawal, and Franchisee fails to cure such non-payment within 10 days after Churro Stix Franchising gives notice to Franchisee of such breach

(b) Subject to 30-Day Cure Period If Franchisee breaches this Agreement in any manner not described in subsection (a) or (c), and fails to cure such breach to Churro Stix Franchising's satisfaction within 30 days after Churro Stix Franchising gives notice to Franchisee of such breach, then Churro Stix Franchising may terminate this Agreement

(c) Without Cure Period Churro Stix Franchising may terminate this Agreement by giving notice to Franchisee, without opportunity to cure, if any of the following occur

(i) Franchisee misrepresented or omitted material facts when applying to be a franchisee, or breaches any representation in this Agreement,

(ii) Franchisee intentionally submits any false report or intentionally provides any other false information to Churro Stix Franchising,

(iii) a receiver or trustee for the Business or all or substantially all of Franchisee's property is appointed by any court, or Franchisee makes a general assignment for the benefit of Franchisee's creditors or Franchisee makes a written statement to the effect that Franchisee is unable to pay its debts as they become due, or a levy or execution is made against the Business, or an attachment or lien remains on the Business for 30 days unless the attachment or lien is being duly contested in good faith by Franchisee, or a petition in bankruptcy is filed by Franchisee, or such a petition is filed against or consented to by Franchisee and the petition is not dismissed within 45 days, or Franchisee is adjudicated as bankrupt,

(iv) Franchisee fails to open for business by the date specified on the Summary Page,

(v) Franchisee loses possession of the Location,

(vi) Franchisee or any Owner commits a material violation of Section 7 2 (compliance with laws) or Section 13 1 (confidentiality), violates Section 13 2 (non-compete) or Article 15 (transfer), or commits any other violation of this Agreement which by its nature cannot be cured,

(vii) Franchisee abandons or ceases operation of the Business for more than five consecutive days,

(viii) Franchisee or any Owner defames Churro Stix Franchising or its affiliates, or any of their employees, directors, or officers,

(ix) Franchise refuses to cooperate with or permit any audit or inspection by Churro Stix Franchising or its agents of contractors, or otherwise fails to comply with Section 10 5 or Section 11 2,

(x) the Business is operated in a manner which, in Churro Stix Franchising's reasonable judgment, constitutes a significant danger to the health or safety of any person, and Franchisee fails to cure such danger within 48 hours after becoming aware of the danger (due to notice from Churro Stix Franchising or otherwise),

(xi) Franchisee has received two or more notices of default and Franchisee commits another breach of this Agreement, all in the same 12-month period, or

~~(xii) Churro Stix Franchising (or any affiliate) terminates any other agreement with Franchisee (or any affiliate) due to the breach of such other agreement by Franchisee (or its affiliate), or~~

~~(xiii~~ (xii) Franchisee or any Owner is charged with, pleads guilty to, or is convicted of a felony, or is accused by any governmental authority or third party of any act that in Churro Stix Franchising's opinion is reasonably likely to materially and unfavorably affect Churro Stix Franchising's brand

14.3 Effect of Termination Upon termination or expiration of this Agreement, all obligations that by their terms or by reasonable implication survive termination, including those pertaining to non-competition, confidentiality, and indemnity, will remain in effect, and Franchisee must immediately

(i) pay all amounts owed to Churro Stix Franchising based on the operation of the Business through the effective date of termination or expiration,

(ii) return to Churro Stix Franchising all copies of the Operating Manual, Confidential Information and any and all other materials provided by Churro Stix Franchising to Franchisee or created by a third party for Franchisee relating to the operation of the Business, and all items containing any Churro Stix Marks, copyrights, and other proprietary items,

(iii) notify the telephone, internet, email, electronic network, directory, and listing entities of the termination or expiration of Franchisee's right to use any numbers, addresses, domain names, locators, directories and listings associated with any of the Churro Stix Marks, and authorize their transfer to Churro Stix Franchising or any new franchisee as may be directed by Churro Stix Franchising, and Franchisee hereby irrevocably appoints Churro Stix Franchising, with full power of substitution, as its true and lawful ~~attorney-in-fact, which appointment is coupled with an interest, to execute such directions and authorizations as may be necessary or appropriate to accomplish the foregoing,~~agent and attorney-in-fact with full power and authority for the purpose of taking such action to, execute such directions and authorizations as may be necessary or appropriate to transfer the same to Churro Stix Franchising, should Franchisee fail or refuse to do so The telephone company, domain name registrars and all listing agencies may accept this Agreement as conclusive evidence of Churro Stix Franchising's exclusive rights to the telephone numbers, addresses, domain names, locators, directories and listings and Churro Stix Franchising s authority to direct their transfer Franchisee shall sign such additional or other instruments Churro Stix Franchising requests to confirm the assignments and transfers to Churro Stix Franchising Franchisee shall not be entitled to any compensation from Churro Stix Franchising if Churro Stix Franchising exercises its rights pursuant to this Section 14 3(iii), and

(iv) cease doing business under any of the Churro Stix Marks

14 4 Remove Identification Within 30 days after termination or expiration, Franchisee shall at its own expense "de-identify" the Location so that it no longer contains the Churro Stix Marks, signage, or any trade dress of a Churro Stix ~~business~~Business, to the reasonable satisfaction of Churro Stix Franchising Franchisee shall comply with any reasonable instructions and procedures of Churro Stix Franchising for de-identification If Franchisee fails to do so within 30 days after this Agreement expires or is terminated, Churro Stix Franchising may enter the Location to remove the Churro Stix Marks and de-identify the Location In this event, Churro Stix Franchising will not be charged with trespass nor be accountable or required to pay for any assets removed or altered, or for any damage caused by Churro Stix Franchising

14 5 Other Claims Termination of this Agreement by Churro Stix Franchising will not affect or discharge any claims, rights, causes of action or remedies (including claims for Churro Stix Franchising's lost future income after termination), which Churro Stix Franchising may have against Franchisee, whether arising before or after termination

14.6 Purchase Option When this Agreement expires or is terminated, Churro Stix Franchising will have the right (but not the obligation) to purchase any or all of the assets related to the Business at fair market value, and/or to require Franchisee to assign its lease or sublease to Churro Stix Franchising To exercise this option, Churro Stix Franchising must notify Franchisee no later than 30 days after this Agreement expires or is terminated If the ~~parties~~Parties cannot agree on fair market value within 30 days after the exercise notice, the fair market value will be determined by an independent appraiser reasonably acceptable to both ~~parties~~Parties The ~~parties~~Parties will equally share the cost of the appraisal Churro Stix Franchising's purchase will be of assets only (free and clear of all liens), and will not include any liabilities of Franchisee If Churro Stix Franchising exercises the purchase option, Churro Stix Franchising may deduct from the purchase price (a) all amounts due from Franchisee, (b) Franchisee's portion of the cost of any appraisal conducted hereunder, and (c) amounts paid or to be paid by Churro Stix Franchising to cure defaults under Franchisee's lease and/or amounts owed by Franchisee to third ~~parties~~Parties If any of the assets are subject to liens, Churro Stix Franchising may withhold a portion of purchase price directly to the lienholder to pay off such lien Churro Stix Franchising may withhold 25% of the purchase price for 90 days to ensure that all of Franchisee's taxes and other liabilities are paid Churro Stix Franchising may assign this purchase option to another party

14 7 Cross-Default Any default by Franchisee under the terms and conditions of this Agreement, or any other agreement between Churro Stix Franchising, or its affiliates, and Franchisee, its owners or affiliates, shall be deemed to be a default of each and every other agreement In the event of a termination, for any cause, of this Agreement or any other agreement between the Parties, Churro Stix Franchising may, at its option, terminate any or all of the agreements

ARTICLE 15 TRANSFERS

15 1 By Churro Stix Franchising. Churro Stix Franchising may transfer or assign this Agreement, or any its rights or obligations under this Agreement, to any person or entity, and Churro Stix Franchising may undergo a change in ownership and/or control, without the consent of Franchisee

15.2 By Franchisee Franchisee acknowledges that the rights and duties set forth in this Agreement are personal to Franchisee and that Churro Stix Franchising entered into this Agreement in reliance on Franchisee's business skill, financial capacity, personal character, experience and business ability Accordingly, Franchisee shall not conduct or undergo a Transfer without providing Churro Stix Franchising at least 60 days prior notice of the proposed Transfer, and without obtaining Churro Stix Franchising's consent In granting any such consent, Churro Stix Franchising may impose conditions, including, without limitation, the following

(i) Churro Stix Franchising receives a transfer fee equal to $10,000,

(ii) the proposed assignee and its owners have completed Churro Stix Franchising's franchise application processes, meet Churro Stix Franchising's then-applicable standards for new franchisees, and have been approved by Churro Stix Franchising as franchisees,

(iii) the proposed assignee is not a Competitor,

(iv) the proposed assignee executes Churro Stix Franchising's then-current form of franchise agreement, which form may contain materially different provisions,

(v) Franchisee has paid all monetary obligations to Churro Stix Franchising in full, and Franchisee is not otherwise in default or breach of this Agreement,

(vi) the proposed assignee and its owners and employees undergo such training as Churro Stix Franchising may require,

(vii) Franchisee, its Owners, and the transferee and its owners execute a general release of Churro Stix Franchising in a form satisfactory to Churro Stix Franchising, and

(viii) the Business fully complies with all of the Churro Stix Franchising's most recent System Standards

15.3 Transfer for Convenience of Ownership. If Franchisee is an individual, Franchisee may Transfer this Agreement to a corporation or limited liability company formed for the convenience of ownership after at least 15 days' notice to Churro Stix Franchising, if, prior to the Transfer (1) the transferee provides the information required by Section 2 3, (2) Franchisee provides copies the entity's charter documents, by-laws (or operating agreement) and similar documents, if requested by Churro Stix Franchising, (3) Franchisee owns all voting securities of the corporation or limited liability company, and (4) Franchisee provides a ~~guaranty~~guarantee in accordance with Section 2 5

15.4 Transfer upon Death or Incapacity Upon the death or incapacity of Franchisee (or, if Franchisee is an entity, the person with a largest ownership interest in Franchisee), the executor, administrator, or personal representative of that person must Transfer the Business to a third party approved by Churro Stix Franchising within nine months after death or incapacity Such transfer must comply with Section 15 2

15 5 Churro Stix Franchising's Right of First Refusal Before Franchisee (or any owner) engages in a Transfer (except under Section 15 3 or Section 15 4), Churro Stix Franchising will have a right of first refusal, as set forth in this Section Franchisee (or its owners) shall provide to Churro Stix Franchising a copy of the terms and conditions of any Transfer For a period of 30 days from the date of Churro Stix Franchising s receipt of such copy, Churro Stix Franchising will have the right, exercisable by notice to Franchisee, to purchase the assets subject of the proposed Transfer for the same price and on the same terms and conditions (except that Churro Stix Franchising may substitute cash for any other form of payment) If Churro Stix Franchising does not exercise its right of first refusal, Franchisee may proceed with the Transfer, subject to the other terms and conditions of this Article

15 6 No Sublicense Franchisee has no right to sublicense the Churro Stix Marks or any of Franchisee's rights under this Agreement

15 7 No Lien on Agreement Franchisee shall not grant a security interest in this Agreement to any person or entity If Franchisee grants an "all assets" security interest to any lender or other secured party, Franchisee shall cause the secured party to expressly exempt this Agreement from the security interest

ARTICLE 16 INDEMNITY

16 1 Indemnity Franchisee shall indemnify and defend (with counsel reasonably acceptable to Churro Stix Franchising) Churro Stix Franchising, its parent entities, subsidiaries and affiliates, and their respective owners, directors, officers, employees, agents, successors and assignees (collectively, "Indemnitees") against all Losses in any Action by or against Churro Stix Franchising and/or any Indemnitee directly or indirectly related to, or alleged to arise out of, the operation of the Business Notwithstanding the foregoing, Franchisee shall not be obligated to indemnify an Indemnitee from claims arising as a result of any Indemnitee's misconduct or negligence This indemnity will continue in effect after this Agreement ends

16 2 Assumption by Churro Stix Franchising Churro Stix Franchising may elect to assume the defense and/or settlement of any Action subject to this indemnification, at Franchisee's expense Such an undertaking shall not diminish Franchisee's obligation to indemnify the Indemnitees

ARTICLE 17. DISPUTE RESOLUTION

17.1 Arbitration

(a) Disputes Subject to Arbitration Except as expressly provided in subsection (c), any controversy or claim arising out of or relating to this Agreement, or the breach thereof, shall be resolved by arbitration administered by the American Arbitration Association in accordance with its Commercial Arbitration Rules, including the Optional Rules for Emergency Measures of

Protection Judgment on the award rendered by the arbitrator may be entered in any court having jurisdiction

(b) Location The place of arbitration shall be the city and state where Churro Stix Franchising's headquarters are located

(c) Injunctive Relief Either party may apply to the arbitrator seeking injunctive relief until the arbitration award is rendered or the controversy is otherwise resolved Either party also may, without waiving any remedy or right to arbitrate under this Agreement, seek from any court having jurisdiction any interim or provisional injunctive relief, pending the arbitral tribunal's determination of the merits of the controversy

(d) Confidentiality All documents, information, and results pertaining to any arbitration or lawsuit will be confidential, except as required by law or as required for Churro Stix Franchising to comply with laws and regulations applicable to the sale of franchises

(e) Performance During Arbitration or Litigation Churro Stix Franchising and Franchisee will comply with this Agreement and perform their respective obligations under this Agreement during the arbitration or litigation process

17 2 Damages In any controversy or claim arising out of or relating to this Agreement, each party waives any right to punitive or other monetary damages not measured by the prevailing party's actual damages, except damages authorized by federal statute In the event of termination of this Agreement prior the expiration of the term, Churro Stix Franchising's actual damages will include its lost future income from Royalty Fees and other amounts that Franchisee would have owed to Churro Stix Franchising but for the termination

17 3 Waiver of Class Actions The ~~parties~~Parties agree that any claims will be arbitrated, litigated, or otherwise resolved on an individual basis, and waive any right to act on a class-wide basis

17.4 Time Limitation. Any arbitration or other legal action arising from or related to this Agreement must be instituted within two years from the date such party discovers the conduct or event that forms the basis of the arbitration or other legal action The foregoing time limit does not apply to claims (i) by one party related to non-payment under this Agreement by the other party, (ii) for indemnity under Article 16, or (iii) related to unauthorized use of Confidential Information or the Churro Stix Marks

17.5 Venue Other Than Arbitration For any legal proceeding not submitted to arbitration, the ~~parties~~Parties agree that any such legal proceeding will be brought in the United States District Court where Churro Stix Franchising's headquarters is then located If there is no federal jurisdiction over the dispute, the ~~parties~~Parties agree that any such legal proceeding will be brought in the court of record of the state and county where Churro Stix Franchising's headquarters is then located Each party consents to the jurisdiction of such courts and waives any objection that it, he or she may have to the laying of venue of any proceeding in any of these courts

17.6 Legal Costs In any legal proceeding (including arbitration) related to this Agreement or any ~~guaranty~~guarantee, the non-prevailing party shall pay the prevailing party's attorney fees, costs and other expenses of the legal proceeding "Prevailing party" means the party, if any, which prevailed upon the central litigated issues and obtained substantial relief

ARTICLE 18. MISCELLANEOUS

18 1 Relationship of the Parties The ~~parties~~Parties are independent contractors, and neither is the agent, partner, joint venturer, or employee of the other Churro Stix Franchising is not a fiduciary of Franchisee and does not control Franchisee or its Business Churro Stix Franchising has no liability for Franchisee's obligations to any third party whatsoever

18.2 No Third Party Beneficiaries This Agreement does not confer any rights or remedies upon any person or entity other than Franchisee, Churro Stix Franchising, and Churro Stix Franchising's affiliates

18.3 Entire Agreement This Agreement constitutes the entire agreement of the ~~parties~~Parties and supersedes all prior negotiations and representations Nothing in this Agreement or in any related agreement is intended to disclaim the representations made by Churro Stix Franchising in its franchise disclosure document

18 4 Modification No modification or amendment of this Agreement will be effective unless it is in writing and signed by both ~~parties~~Parties This provision does not limit Churro Stix Franchising's rights to modify the Operating Manual or System Standards

18.5 Consent, Waiver No consent under this Agreement, and no waiver of satisfaction of a condition or nonperformance of an obligation under this Agreement will be effective unless it is in writing and signed by the party granting the consent or waiver No waiver by a party of any right will affect the party's rights as to any subsequent exercise of that right or any other right No delay, forbearance or omission by a party to exercise any right will constitute a waiver of such right

18 6 Cumulative Remedies Rights and remedies under this Agreement are cumulative No enforcement of a right or remedy precludes the enforcement of any other right or remedy

18 7 Severability. The ~~parties~~Parties intend that (i) if any provision of this Agreement is held by an arbitrator or court to be unenforceable, then that provision be modified to the minimum extent necessary to make it enforceable, unless that modification is not permitted by law, in which case that provision will be disregarded, and (ii) if an unenforceable provision is modified or disregarded, then the rest of this Agreement will remain in effect as written

18.8 Governing Law. The laws of the state of California (without giving effect to its principles of conflicts of law) govern all adversarial proceedings between the ~~parties~~Parties Solely with respect to the non-competition covenants of Section 13 2, the ~~parties~~Parties agree that the laws of the state where Franchisee is located shall apply, and not California law

18 9 Notices Any notice will be effective under this Agreement only if made in writing and delivered as set forth in this Section to (A) if to Franchisee, addressed to Franchisee at the notice address set forth in the Summary Page, and (B) if to Churro Stix Franchising, addressed to ~~6600 Topanga Canyon Blvd #9028, Canoga Park, CA 91303~~ 6034 San Fernando Road, Glendale, CA 91202 Any party may designate a new address for notices by giving notice of the new address pursuant to this Section Notices will be effective upon receipt (or first rejection) and must be (1) delivered personally, (2) sent by registered or certified U S mail with return receipt requested, or (3) sent via overnight courier Notwithstanding the foregoing, Churro Stix Franchising may amend the Operating Manual, give binding notice of changes to System Standards, and deliver notices of default by electronic mail or other electronic communication

18 10 Joint and Several Liability If two or more people sign this Agreement as "Franchisee", each will have joint and several liability

18 11 No Offer and Acceptance Delivery of a draft of this Agreement to Franchisee by Churro Stix Franchising does not constitute an offer This Agreement shall not be effective unless and until it is executed by both Franchisee and Churro Stix Franchising

ARTICLE 19. CERTIFICATION OF FRANCHISOR'S COMPLIANCE

By signing this Agreement, Franchisee acknowledges the following

(1) Franchisee understands all the information in Churro Stix Franchising's Disclosure Document

(2) Franchisee understands the success or failure of the Business will depend in large part upon Franchisee's skills, abilities and efforts and those of the persons Franchisee employs, as well as many factors beyond Franchisee's control such as weather, competition, interest rates, the economy, inflation, labor and supply costs, lease terms and the marketplace

(3) That no person acting on Churro Stix Franchising's behalf made any statement or promise regarding the costs involved in operating a Churro Stix franchise that is not in the Disclosure Document or that is contrary to, or different from, the information in the Disclosure Document

(4) That no person acting on Churro Stix Franchising's behalf made any claim or representation to Franchisee, orally, visually, or in writing, that contradicted the information in this Disclosure Document

(5) That no person acting on Churro Stix Franchising's behalf made any statement or promise regarding the actual, average or projected profits or earnings, the likelihood of success, the amount of money Franchisee may earn, or the total amount of revenue a Churro Stix franchise will generate, that is not in the Disclosure Document or that is contrary to, or different from, the information in the Disclosure Document

(6) That no person acting on Churro Stix Franchising's behalf made any statement or promise or agreement, other than those matters addressed in this Agreement, concerning advertising, marketing, media support, market penetration, training, support service, or assistance that is contrary to, or different from, the information contained in the Disclosure Document

(7) Franchisee understands that this Agreement contains the entire agreement between Churro Stix Franchising and Franchisee concerning the Churro Stix franchise, which means that any oral or written statements not set out in this Agreement will not be binding

[Signatures on next page]

Agreed to by

FRANCHISOR

CHURRO STIX FRANCHISING, LLC

By ____________________________
Name __________________________
Title ___________________________
Date ___________________________

FRANCHISEE

[*if an individual*]

____
Name __________________________
Date ___________________________

[*if an entity*]

____

By ____________________________
Name __________________________
Title ___________________________
Date ___________________________

Attachment 1 to Franchise Agreement

OWNERSHIP INFORMATION

1 **Form of Ownership** Franchisee is a (check one)

____________ *Sole Proprietorship*
____________ *Partnership*
____________ *Limited Liability Company*
____________ *Corporation*

State of incorporation ____________________________
Entity name ______________________
Fed Tax ID ______________________

2 **Owners** If Franchisee is a partnership, limited liability company or corporation

~~ARTICLE 1~~ **Name**	~~ARTICLE 2~~ **Shares or Percentage of Ownership**
~~ARTICLE 3~~	~~ARTICLE 4~~
~~ARTICLE 5~~	~~ARTICLE 6~~
~~ARTICLE 7~~	~~ARTICLE 8~~
~~ARTICLE 9~~	~~ARTICLE 10~~
~~ARTICLE 11~~	~~ARTICLE 12~~

3. **Officers** If Franchisee is a limited liability company or corporation

~~ARTICLE 13~~ **Name**	~~ARTICLE 14~~ **Title**
~~ARTICLE 15~~	~~ARTICLE 16~~
~~ARTICLE 17~~	~~ARTICLE 18~~
~~ARTICLE 19~~	~~ARTICLE 20~~
~~ARTICLE 21~~	~~ARTICLE 22~~
~~ARTICLE 23~~	~~ARTICLE 24~~

Attachment 2 to Franchise Agreement

GUARANTEE AND NON-COMPETE AGREEMENT

This ~~Guaranty~~Guarantee and Non-Compete Agreement (this "Guarantee") is executed by the undersigned person(s) ~~(~~("Guarantors") in favor of Churro Stix Franchising, LLC, a California limited liability company ("Churro Stix Franchising")

Background Statement ____, a ____________ ("Franchisee") desires to enter into a Franchise Agreement with Churro Stix Franchising for the franchise of a Churro Stix ~~business~~Business (the "Franchise Agreement", capitalized terms used but not defined in this Guarantee shall have the meanings ascribed to them in the Franchise Agreement) Guarantors own an equity interest in Franchisee Guarantors are executing this Guarantee in order to induce Churro Stix Franchising to enter into the Franchise Agreement

Guarantors agree as follows

1 **Guarantee** Guarantors fully guarantee to Churro Stix Franchising and its successors and assigns that Franchisee shall pay and perform every undertaking, agreement and covenant set forth in the Franchise Agreement and further guarantee every other liability and obligation of Franchisee to Churro Stix Franchising, whether or not contained in the Franchise Agreement Guarantors shall render any payment or performance required under the Franchise Agreement or any other agreement between Franchisee and Churro Stix Franchising upon demand from Churro Stix Franchising Guarantors waive (a) acceptance and notice of acceptance by Churro Stix Franchising of this Guarantee, (b) notice of demand for payment of any indebtedness or nonperformance of any obligations of Franchisee, (c) protest and notice of default to any party with respect to the indebtedness or nonperformance of any obligations hereby guaranteed, (d) any right Guarantors may have to require that an action be brought against Franchisee or any other person or entity as a condition of liability hereunder, (e) all rights to payments and claims for reimbursement or subrogation which any of the undersigned may have against Franchisee arising as a result of the execution of and performance under this Guarantee by the undersigned, (f) any law which requires that Churro Stix Franchising make demand upon, assert claims against or collect from Franchisee or any other person or entity (including any other guarantor), foreclose any security interest, sell collateral, exhaust any remedies or take any other action against Franchisee or any other person or entity (including any other guarantor) prior to making any demand upon, collecting from or taking any action against the undersigned with respect to this Guarantee, and (g) any and all other notices and legal or equitable defenses to which Guarantors may be entitled

2 **Confidential Information.** With respect to all Confidential Information Guarantors shall (a) adhere to all security procedures prescribed by Churro Stix Franchising for maintaining confidentiality, (b) disclose such information to its employees only to the extent necessary for the operation of the Business, (c) not use any such information in any other business or in any manner not specifically authorized or approved in writing by Churro Stix Franchising, (d) exercise the highest degree of diligence and make every effort to maintain the

confidentiality of all such information during and after the term of the Franchise Agreement, (e) not copy or otherwise reproduce any Confidential Information, and (f) promptly report any unauthorized disclosure or use of Confidential Information Guarantors acknowledge that all Confidential Information is owned by Churro Stix Franchising or its affiliates (except for Confidential Information which Churro Stix Franchising licenses from another person or entity) Guarantors acknowledge and agree that all customer data generated or obtained by Guarantors is Confidential Information belonging to Churro Stix Franchising This Section will survive the termination or expiration of the Franchise Agreement indefinitely

3 **Covenants Not to Compete**

(a) Restriction - In Term During the term of the Franchise Agreement, Guarantors shall not directly or indirectly have any ownership interest in, or be engaged or employed by, any Competitor

(b) Restriction – Post Term For two years after the Franchise Agreement expires or is terminated for any reason (or, if applicable, for two years after a Transfer by any of the Guarantors), Guarantors shall not directly or indirectly have any ownership interest in, or be engaged or employed by, any Competitor located within five miles of Franchisee's Protected Territory or the Protected Territory of any other Churro Stix ~~business~~Business operating on the date of termination or transfer, as applicable

(c) Interpretation Guarantors agree that each of the foregoing covenants is independent of any other covenant or provision of this Guarantee or the Franchise Agreement If all or any portion of the covenants in this Section is held to be unenforceable or unreasonable by any court of competent jurisdiction, then ~~parties~~Parties intend that the court modify such restriction to extent reasonably necessary to protect the legitimate business interests of Churro Stix Franchising Guarantors agree the existence of any claim it or Franchisee may have against Churro Stix Franchising shall not constitute a defense to the enforcement by Churro Stix Franchising of the covenants of this Section If Guarantors fail to comply with the obligations under this Section during the restrictive period, then the restrictive period will be extended for each day of noncompliance

4. **Employee Recruitment** During the term of the Franchise Agreement and for one year after termination, transfer, or expiration of the Franchise Agreement, Guarantors shall not knowingly employ or seek to employ or engage as an independent contractor any person then employed by Churro Stix Franchising or by any other franchisee of Churro Stix Franchising

5 **Modification** Guarantors agree that Guarantors' liability hereunder shall not be diminished, relieved or otherwise affected by (a) any amendment of the Franchise Agreement, (b) any extension of time, credit or other indulgence which Churro Stix Franchising may from time to time grant to Franchisee or to any other person or entity, or (c) the acceptance of any partial payment or performance or the compromise or release of any claims

6 **Governing Law; Dispute Resolution.** This Guarantee shall be governed by and construed in accordance with the laws of the state of California Solely with respect to the non-competition covenants of Section 3, the ~~parties~~Parties agree that the laws of the state where Guarantor is located shall apply, and not California law The provisions of Article 17 (Dispute Resolution) of the Franchise Agreement apply to and are incorporated into this Guarantee as if fully set forth herein If multiple Guarantors sign this ~~Guaranty~~Guarantee, each will have joint and several liability

Agreed to by

____
Name ________________________
Address ______________________
____
____
Date ________________________

____
Name ________________________
Address ______________________
____
____
Date ________________________

____
Name ________________________
Address ______________________
____
____
Date ________________________

CHURRO STIX FRANCHISING, LLC

EXHIBIT C

TO FRANCHISE DISCLOSURE DOCUMENT

~~RIDER TO LEASE AGREEMENT~~MOBILE RESTAURANT ADDENDUM

MOBILE RESTAURANT ADDENDUM TO FRANCHISE AGREEMENT

THIS MOBILE RESTAURANT ADDENDUM TO FRANCHISE AGREEMENT (this "**Addendum**") is made and entered into on ____________, 20____ (the "**Effective Date**") and is intended to be a part of, and by this reference is incorporated into, that certain Franchise Agreement dated ________________, 20___ (the "**Franchise Agreement**"), by and between **CHURRO STIX FRANCHISING, LLC**, a California limited liability company ("**Franchisor**"), on the one hand, and ________________________________, a ________________ ("**Franchisee**"), on the other hand, with reference to the following facts

A Franchisor and its affiliates have developed a system (the "**System**") for the establishment and operation of food business selling made-to-order churros under the trade name Churro Stix (a "**Churro Stix Business**") under the trade name and service mark "**Churro Stix**" and other related trademarks, service marks, logos and commercial symbols (collectively, the "**Churro Stix Marks**") The System includes (1) methods and procedures for developing and operating a Churro Stix Business, (2) plans, specifications, equipment, signage and trade dress for Churro Stix businesses, (3) particular products and services, (4) the Churro Stix Marks, (5) training programs, (6) technical knowledge, (7) marketing plans and concepts, (8) a website, (9) accounting and bookkeeping specifications, (10) methods and standards of operation, and (11) other mandatory or optional elements as determined by Churro Stix Franchising from time to time

B Neither Franchisor nor its affiliates have previously granted licenses for the development, ownership or operation of food trucks ("**Food Trucks**") and make no representation or warranty of any kind, expressed or implied, with respect to the suitability or likelihood of success of a Churro Stix food truck (a "**Mobile Restaurant**") Nevertheless, Franchisee desires to obtain a license and franchise to develop, own and operate one Mobile Restaurant under the Churro Stix Marks and the System and the standards established by Franchisor from time to time, and Franchisor is willing to grant Franchisee a license and franchise under the terms and conditions set forth in this Addendum and the Franchise Agreement

C All provisions of the Franchise Agreement shall apply to a Mobile Restaurant, unless otherwise stated in this Addendum or unless the context of its use indicates otherwise All references to a "Churro Stix Business" in the Franchise Agreement include a Mobile Restaurant unless the context of its use indicates otherwise This Addendum shall replace and supplement the corresponding provisions in the Franchise Agreement that may not apply to a Mobile Restaurant, unless the context of its use indicates otherwise Where and to the extent that any of the provisions of this Addendum are contrary to, in conflict with or inconsistent with any provision contained in the Franchise Agreement, the provisions contained in this Addendum shall control Capitalized terms used but not defined in this Addendum shall have the meaning ascribed to those terms in the Franchise Agreement

NOW, THEREFORE, THE PARTIES AGREE

1 <u>GRANT</u>

1 1 <u>Grant</u> Franchisor hereby grants to Franchisee the right, and Franchisee undertakes the obligation, to use the Churro Stix Marks and the System solely in connection with the operation of one (1) Mobile Restaurant in, and only in, the following geographic area ________________________________
____
____
____
____
, and as shown in the map immediately following this Addendum (the "**Mobile Territory**")

1 2 **Mobile Territory** During the term of the Franchise Agreement, if Franchisee is not in default under the Franchise Agreement or this Addendum or any other agreement between Franchisor, its affiliates and Franchisee, neither Franchisor nor its affiliates shall own, operate, sell or issue a franchise for any other Mobile Restaurant to be operated within the Mobile Territory Except as expressly provided in this Section 1 2, the license granted to Franchisee under this Addendum is nonexclusive Franchisee shall not operate the Mobile Restaurant within the Protected Territory or Mobile Territory of another Churro Stix Business Franchisee shall not operate the Mobile Restaurant within two (2) miles of any Churro Stix Business owned by another Churro Stix Business (a "**Protected Zone**") Franchisor shall have the right to reduce or enlarge a Protected Zone at any time If Franchisee, at any time, operates the Mobile Restaurant within the Protected Territory or Mobile Territory or a Protected Zone of another Churro Stix Business, Franchisee shall be in default under the Franchise Agreement

1 3 **Mobile Restaurant**. Franchisee shall purchase the designated type of Food Truck and the designated equipment, graphics and detailing, trade dress and signs only from an Approved Vendor Franchisee shall secure its own source of financing (a "**Lender**") for the acquisition and build-out of the Mobile Restaurant who must be approved by Franchisor prior to Franchisee's execution of purchase and financing documents, or pay cash for the acquisition of the Mobile Restaurant, all in the manner required by Franchisor A default under the financing documents for the Mobile Restaurant shall constitute a default under the Franchise Agreement and Franchisor may, at its option, terminate the Franchise Agreement and all rights granted hereunder, following Franchisee's receipt of a notice of default demanding the cure of the default within thirty (30) days If such a default is not cured within that time period, or any longer time period as may be required or that Franchisor may specify in the notice of default, the Franchise Agreement and all rights granted in the Franchise Agreement shall automatically terminate without further notice or opportunity to cure

2 INITIAL AND EXTENDED TERM

The initial term shall commence on the Effective Date and shall expire (i) on the expiration or termination of the Franchise Agreement, or (ii) on the fifth anniversary of the Effective Date (the "**Addendum Expiration Date**") whichever occurs first, unless sooner terminated as provided in this Addendum or the Franchise Agreement Franchisee shall have no right or option to extend or renew the term except as provided in Section 3 2 of the Franchise Agreement If Franchisee does not elect to extend the term, this Addendum and the rights granted to operate the Mobile Restaurant shall terminate on the Addendum Expiration Date

3 OPEN FOR BUSINESS

Franchisee shall open the Mobile Restaurant for business within one hundred eighty (180) days after the Effective Date, subject only to Force Majeure, unless Franchisor agrees otherwise in writing Franchisor shall have the right, but not the obligation, to conduct a final inspection of the Mobile Restaurant To protect the reputation and goodwill of Franchisor, to maintain uniform standards of the merchandise, services, and operations offered and sold under the Churro Stix Marks, and to promote the goodwill of all Churro Stix Businesses, the Churro Stix Marks and the System, Franchisee shall not Open the Mobile Restaurant without the express written authorization of Franchisor, which authorization may be conditioned upon Franchisee's strict compliance with Franchisor's standards and specifications for the Mobile Restaurant and other requirements set forth in the Operating Manual and applicable to the operations of the Mobile Restaurant

4 OBLIGATIONS OF FRANCHISEE

4 1 **Use of Mobile Restaurant** Franchisee shall utilize the Food Truck solely for the operation of the Mobile Restaurant during the term, shall keep the Mobile Restaurant in normal operation for the

minimum hours and days as Franchisor may specify in the Operating Manual or otherwise in writing and shall refrain from using or permitting the use of the Mobile Restaurant for any other purpose or activity

4 2 **Standards and Specifications** Following the Effective Date, Franchisor shall provide Franchisee with Franchisor's specifications for the Mobile Restaurant, the decor and layout of a Mobile Restaurant and the required equipment, including a GPS tracking device for the Mobile Restaurant, graphics and detailing, trade dress and signs Franchisee shall at its sole cost and expense promptly cause the Mobile Restaurant to be manufactured, equipped and improved in accordance with these standards and specifications, unless Franchisor shall, in writing, agree to any modifications thereof Franchisee shall obtain and certify in writing to Franchisor that all applicable licenses and permits are obtained Franchisee shall provide Franchisor with regular updates regarding the status of the manufacturing and equipping of the Mobile Restaurant Franchisee shall not disable or modify any GPS tracking device installed in the Mobile Restaurant

4 3 **Maintenance of Mobile Restaurant** Franchisee shall at all times maintain the interior and exterior of the Mobile Restaurant in the highest degree of cleanliness, orderliness and sanitation and shall also comply with the requirements of the Operating Manual regarding the upkeep of the Mobile Restaurant Franchisee shall repair, re-equip and/or replace the Mobile Restaurant at Franchisee's own expense at such times as reasonably directed by Franchisor Franchisee shall immediately comply with all laws, rules, orders and government regulations related to the operation of the Mobile Restaurant Franchisee shall promptly replace worn-out equipment at Franchisee's expense Franchisee shall not make any alterations to the Mobile Restaurant, any equipment (including the exterior and interior of the Mobile Restaurant and related equipment), or other items, or to the appearance of the Mobile Restaurant, or the services and products offered from the Mobile Restaurant, without Franchisor's prior written approval Franchisee shall not affix any signs or posters to the Mobile Restaurant without Franchisor's prior written consent

4 4 **Food Truck Commissary** Franchisee shall house the Mobile Restaurant at a sanctioned home base where the Mobile Restaurant shall be cleaned, stocked, serviced and stored when not in service (a "**Food Truck Commissary**") The Food Truck Commissary shall provide Franchisee with a facility to purchase supplies, a designated parking space, truck cleaning facilities and power and water services To protect the reputation and goodwill of Franchisor, to maintain uniform standards of the merchandise, services, and operations offered and sold under the Churro Stix Marks, and to promote the goodwill of all Churro Stix Businesses, the Churro Stix Marks and the System, Franchisee shall not select or contract with a Food Truck Commissary without Franchisor's prior written approval of the Food Truck Commissary

5 DEFAULT AND TERMINATION

In addition to the rights granted to Franchisor in Article 14 of the Franchise Agreement, Franchisee shall be deemed to be in default and Franchisor may, at its option, terminate the Franchise Agreement and all rights granted thereunder, without affording Franchisee any opportunity to cure the default, effective immediately upon receipt of notice of default by Franchisor if (i) Franchisee uses the Mobile Restaurant for any purpose not authorized by the Franchise Agreement, or (ii) Franchisee, at any time, operates the Mobile Restaurant within the Protected Territory or Mobile Territory or a Protected Zone of another Churro Stix Business, whether intentionally or in error

6 OBLIGATIONS UPON TERMINATION AND EXPIRATION

Upon the expiration of the Franchise Agreement or the termination of the Franchise Agreement for any default of Franchisee, Franchisor shall have the option, but not the obligation, to be exercised by written notice to Franchisee within thirty (30) days after the Expiration Date or termination date, to purchase the Mobile Restaurant, subject to the rights of the Lender The purchase price for the Mobile Restaurant (the "**Purchase Price**") shall be the "**Fair Market Value**" of the Mobile Restaurant as determined under this Section 6 "**Fair Market Value**" means the price that a willing buyer would pay to a willing seller when neither is acting under compulsion and when both have reasonable knowledge of the relevant facts on the date the option is first exercisable (the "**Exercise Date**") Franchisor and Franchisee shall use their best efforts to mutually agree upon the Fair Market Value If they are unable to so agree within thirty (30) days after the Exercise Date, Franchisor and Franchisee shall appoint, within forty (40) days of the Exercise Date, one (1) appraiser who shall determine the Purchase Price in writing and submit its report to Franchisor and Franchisee Franchisor and Franchisee shall each pay one half (1/2) of the costs relating to the determination of the Purchase Price The Purchase Price as so determined shall be payable as Franchisor and Franchisee mutually agree If they are unable to so agree within ten (10) days after final determination of the Purchase Price, fifty percent (50%) of the Purchase Price shall be payable in cash and the remaining fifty percent (50%) of the Purchase Price shall be paid in forty-eight (48) equal monthly payments and shall bear interest at a rate of the greater of the prime rate of interest, as published by the Western Edition of the Wall Street Journal, plus three percent (3%), or ten percent (10%) per annum, but in no event in excess of the maximum rate permitted by applicable law Payment of the portion of the Purchase Price not paid in cash shall be secured by a security interest in the assets of the Churro Stix Business

7 COUNTERPARTS AND ELECTRONIC TRANSMISSION, ELECTRONIC SIGNATURES

This Addendum may be executed in any number of counterparts, each of which shall be deemed to be an original and all of which together shall be deemed to be one and the same instrument Copies of this Addendum with signatures that have been transmitted by email or by facsimile shall constitute and be deemed original copies of this Addendum for all purposes, provided that the copies are fully executed, dated and identical in form to the original hard copy version of this Addendum In addition, this Addendum may be signed electronically by the Parties and electronic signatures appearing on this Addendum shall be deemed to be the same as handwritten signatures for the purposes of the validity, enforceability and admissibility of this Addendum

(Signature Page Follows)

Agreed to by

FRANCHISOR

CHURRO STIX FRANCHISING, LLC

By ______________________
Name ______________________
Title ______________________
Date ______________________

FRANCHISEE

[*if an individual*]

____

Name ______________________
Date ______________________

[*ıf an entıty*]

____

By ______________________
Name ______________________
Tıtle ______________________
Date ______________________

CHURRO STIX FRANCHISING, LLC
MOBILE RESTAURANT ADDENDUM TO FRANCHISE AGREEMENT

MAP OF MOBILE TERRITORY

CHURRO STIX FRANCHISING, LLC

EXHIBIT D

TO FRANCHISE DISCLOSURE DOCUMENT

~~FORM OF GENERAL RELEASE~~RIDER TO LEASE AGREEMENT

~~EXHIBIT C~~

RIDER TO LEASE AGREEMENT

Landlord ______________________________
Notice Address __________________________
____
____
Telephone ______________________________

Franchisor Churro Stix Franchising, LLC
Notice Address ~~6600 Topanga Canyon Blvd #9028, Canoga Park,~~ 6034 San Fernando Road
Glendale, CA ~~91303~~91202
Telephone 818-636-6397

Tenant ___________________________

Leased Premises ____

1 Use Tenant is a franchisee of Franchisor The Leased Premises shall be used for the operation of a Churro Stix business (or any name authorized by Franchisor)

2 Notice of Default and Opportunity To Cure Landlord shall provide Franchisor with copies of any written notice of default ("Default") given to Tenant under the Lease, and Landlord grants to Franchisor the option (but not the obligation) to cure any Default under the Lease (should Tenant fail to do so) within 10 days after the expiration of the period in which Tenant may cure the Default

3 Termination of Lease Landlord shall copy Franchisor on any notice of termination of the Lease If Landlord terminates the Lease for Tenant's Default, Franchisor shall have the option to enter into a new Lease with Landlord on the same terms and conditions as the terminated Lease To exercise this option, Franchisor must notify Landlord within 15 days after Franchisor receives notice of the termination of the Lease

4 Termination of Franchise Agreement If the Franchise Agreement between Franchisor and Tenant is terminated during the term of the Lease, then upon the written request of Franchisor, Tenant shall assign the Lease to Franchisor Landlord hereby consents to the assignment of the Lease to Franchisor

5 Assignment and Subletting Notwithstanding any provision of the Lease to the contrary, Tenant shall have the right to assign or sublet the Lease to Franchisor, provided that no such assignment or sublease shall relieve Tenant or any guarantor of liability under the Lease If Franchisor becomes the lessee of the Lease Premises, then Franchisor shall have the right to assign or sublease its lease to a franchisee of the Churro Stix brand

6 Authorization Tenant authorizes Landlord and Franchisor to communicate directly with each other about Tenant and Tenant's business

7 Right to Enter Upon the expiration or termination of the Lease or the Franchise Agreement, Franchisor or its designee may, after giving reasonable prior notice to Landlord, enter the Leased Premises to remove signs and other material bearing Franchisor's brand name, trademarks, and

commercial symbols, provided that Franchisor will be liable to Landlord for any damage Franchisor or its designee causes by such removal

8 No Liability By executing this Rider, Franchisor does not assume any liability with respect to the Lease Premises or any obligation as Tenant under the Lease

Executed by

LANDLORD

____

By ____________________________
Name __________________________
Title ___________________________
Date ___________________________

TENANT

____

By ____________________________
Name __________________________
Title ___________________________
Date ___________________________

FRANCHISOR

CHURRO STIX FRANCHISING, LLC

By ____________________________
Name __________________________
Title ___________________________
Date ___________________________

CHURRO STIX FRANCHISING, LLC

EXHIBIT E

TO FRANCHISE DISCLOSURE DOCUMENT

~~FINANCIAL STATEMENTS~~GENERAL RELEASE

CHURRO STIX FRANCHISING, LLC
GENERAL RELEASE AGREEMENT

THIS GENERAL RELEASE AGREEMENT (this ~~"~~"**Release Agreement**~~")~~") is made ~~on~~ ________________ and entered into as of ____________ (the ~~"~~"**Effective Date**~~")~~"), by and ~~between Churro Stix Franchising~~among CHURRO STIX FRANCHISING, LLC, a California limited liability company ("**Franchisor**"), on the one hand, and ____________________ a ____________________ ("**Franchisee**"), and ~~any additional parties undersigned below~~ ____________________ ("**Owner**"), on the other hand, who ~~below~~ are ~~individually referred to as a "Party" and~~ collectively referred to in this Release Agreement as the "**Releasing Parties**", with reference to the following facts

~~———~~A Franchisor and Franchisee are parties to ~~a~~that certain Franchise Agreement and related ancillary agreements dated ____________________ (collectively, the "**Franchise Agreement**") pursuant to which Franchisor granted Franchisee a license (the "**License**") to use the service mark and trade name "**Churro Stix**" ~~(the "~~and other related trademarks, service marks, logos and commercial symbols (the "**Churro Stix Marks**") and the "**Churro Stix System**" (the "**System**") in connection with the operation of a Churro Stix franchised unit (the "**Franchised Unit**") located at ____________________ (the "**Franchised Location**")

~~———~~B Franchisee desires to enter into a ____________________

~~———~~C This Release Agreement has been requested at a juncture in the relationship of the ~~Parties~~parties where Franchisor is considering either a change or an expansion of the relationship between the ~~Parties~~parties and/or their affiliates _Franchisor is unwilling to make the anticipated change or expansion in the relationship of the ~~Parties~~parties unless it is certain that it is proceeding with a "clean slate" and that ~~"Releasing Parties" (as defined below) possess~~there are no outstanding_ grievances or ~~"~~Claims~~" (as defined below)~~ against it ~~as of the Effective Date~~_ Releasing Parties, therefore, give this Release Agreement as consideration for receiving the agreement of Franchisor to ~~the~~an anticipated change or expansion of the relationship between the parties Releasing Parties~~, and~~ acknowledge ~~and agree~~ that this Release Agreement is intended to wipe the slate clean ~~as of the Effective Date~~

NOW, THEREFORE, ~~IT IS AGREED~~IT IS AGREED

1 ~~Definitions~~DEFINITIONS As used in this Release Agreement, the following capitalized terms have the meanings ascribed to them ~~Other capitalized terms used but not defined in this Release Agreement shall have the meanings ascribed to such terms in the Franchise Agreement~~

1 1 "**Claims**" means all actual and alleged claims~~, damages~~, demands, Losses, charges, agreements (whether written or oral), covenants, responsibilities, warranties, obligations, contracts (whether oral or written), debts, violations, suits, counterclaims, cross claims, third party claims, accounts, liabilities, costs, expenses (including attorneys' fees and court costs), rights to terminate and rescind, rights of action and causes of action of any kind~~,~~ or nature, ~~and/or description~~ whatsoever, whether known or unknown, matured or unmatured, accrued or unaccrued, suspected or unsuspected, contingent or non-

contingent, liquidated or unliquidated, choate or inchoate, and whether or not asserted, threatened, alleged, or litigated, at law, equity, or otherwise

1 2 "**Constituents**" means past, present and future affiliates, subsidiaries, divisions, partners, members, trustees, receivers, executors, representatives, administrators, owners, shareholders, distributors, parents, predecessors, officers, directors, agents, managers, principals, employees, insurers, successors, assigns, representatives and attorneys~~,~~ and the past, present and future officers, directors, agents, managers, principals, members, employees, insurers, successors, assigns, representatives and attorneys of each of the foregoing~~, as applicable~~

1 3 "**Excluded Matters**" means Franchisor's continuing contractual obligations which arise or continue under and pursuant to the Franchise Agreement on and after the date of this Release Agreement ~~on and after the Effective Date This Release Agreement is not intended to terminate or amend the Franchise Agreement~~

1 4 "**Franchisor Released Parties**" means ~~each, any, and all of~~ Franchisor~~ and each of its~~, Churro Stix, LLC, a California limited liability company, Churro Stix Mobile 1, LLC, a California limited liability company, CS Distribution, LLC, a California limited liability company, and each of their Constituents

1 5 "**Losses**" means all damages, debts, liabilities, accounts, suits, awards, judgments, payments, diminutions in value and other losses, costs and expenses, however suffered or characterized, all interest thereon, all costs and expenses of investigating any Claim, reference proceeding, lawsuit or arbitration and any appeal therefrom, all actual attorneys' fees incurred in connection therewith, whether or not such Claim, reference proceeding, lawsuit or arbitration is ultimately defeated~~,~~ and, all amounts paid incident to any compromise or settlement of any such Claim, reference proceeding, lawsuit or arbitration

~~1 6~~ "GENERAL RELEASE AGREEMENT Releasing Parties~~" means each, any, and all of Franchisee and any additional parties undersigned below Releasing Parties make and undertake all representations, warranties, acknowledgments, agreements, commitments, and obligations in this Release Agreement on behalf of~~, for themselves and ~~each of~~ their Constituents

2 ~~General Release Agreement Releasing Parties~~, hereby release and forever discharge Franchisor Released Parties from any and all Claims, whether known or unknown, based upon anything that has occurred or existed, or failed to occur or exist, from the beginning of time to the Effective Date, including, without limitation any and all Claims which relate to the Franchise Agreement, the Franchised Unit, the System, the License, the Churro Stix Marks, and the Franchised Location, or to any other agreement entered into prior to the Effective Date between Franchisor Released Parties, on the one hand, and Releasing Parties, on the other hand, except for the Excluded Matters and obligations under this Release Agreement This waiver, release and discharge is effective immediately in its fullest and most comprehensive sense

3 WAIVER OF SECTION 1542 OF THE CALIFORNIA CIVIL CODE

Section 1542 of the California Civil Code.

3.1 ~~Waiver of Known and Unknown Claims~~ Releasing Parties, for themselves and their Constituents, acknowledge that they are familiar with Section 1542 of the California Civil Code, which reads as follows

> A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM OR HER MUST HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR.

3.2 **Waiver** With respect to those Claims being released pursuant to Section 2, Releasing Parties, for themselves and their Constituents, acknowledge that they are releasing unknown Claims and waive all rights they have or may have under Section 1542 of the California Civil Code or any other statute or common law principle of similar effect For purposes of this Section 3, Releasing Parties shall be considered to be creditors of the Franchisor Released Parties, and each of them

~~3~~4 UNKNOWN CLAIMS Releasing Parties acknowledge and agree that among the wide and comprehensive range of Claims being waived, released, and discharged by this Release Agreement, they are waiving, releasing, and discharging unknown and unsuspected Claims which, if known or suspected by Releasing Parties to exist in their favor at the time of executing this Release Agreement, may have materially affected Releasing Parties' decision to enter into this Release Agreement It is understood by Releasing Parties that, after the Effective Date, the facts under which this Release Agreement is entered into may turn out to be other than or different from the facts Releasing Parties knew or believed to be true on the Effective Date Releasing Parties, therefore, expressly assume the risk of the facts turning out to be so different and agree that this Release Agreement shall be in all respects final and effective and not subject to termination or rescission by any such difference in facts

4 ~~Waiver of~~ REPRESENTATIONS AND WARRANTIES ~~**Section 1542 of the California Civil Code.** Releasing Parties acknowledge and agree that they are familiar with Section 1542 of the California Civil Code, which reads as follows~~

> ~~A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM OR HER MUST HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR.~~

~~With respect to those Claims being released pursuant to this Release Agreement, Releasing Parties acknowledge and agree that they are releasing unknown Claims and waive all rights they have or may have under Section 1542 of the California Civil Code or any other statute or common law principle of similar effect For purposes of this Article 4 Releasing Parties shall be considered to be creditors of Franchisor Released Parties~~

5 ~~Representations and Warranties~~ Releasing Parties hereby represent and warrant that, in entering into this Release Agreement, Releasing Parties (i) are doing so freely and voluntarily, either upon the

advice of counsel and business advisors of Releasing Parties' own choosing, or without such advice because Releasing Parties, free from coercion, duress or fraud, declined to obtain such advice, (ii) have read and fully understand the terms and scope of this Release Agreement, (iii) understand that this Release Agreement is final and conclusive, and intends to be final and conclusive, as to the matters set forth in this Release Agreement, and (iv) have not assigned, transferred, or conveyed to any third party all or any part of their interest, or ~~partial or~~any contingent interest, in any of the Claims released by this Release Agreement now or in the future, ~~that Releasing Parties~~and are aware of no third party who contends or claims otherwise, and ~~that Releasing Parties~~ shall not purport to assign, transfer, or convey any interest in any such Claim after the Effective Date

6 ~~Covenants Not to Sue~~ COVENANTS NOT TO SUE Releasing Parties hereby irrevocably covenant that they will not, directly or indirectly (i) commence, initiate, or cause to be commenced or initiated any proceeding, claim, or demand of any kind against Franchisor Released Parties based upon any Claims released under this Release Agreement, or (ii) assist or encourage any person or entity to investigate, inquire into, commence, initiate, or cause to be commenced or initiated any proceeding, claim, or demand of any kind against Franchisor Released Parties based upon any Claims released under this Release Agreement

~~7 Indemnification~~ 7 INDEMNITY **Without in any way limiting any of the rights and remedies otherwise available to the Franchisor Released Parties, Releasing Parties shall defend, indemnify and hold harmless each Franchisor Released ~~Parties~~Party from and against all Claims whether or not involving third-party Claims, ~~which arise or result~~arising directly or indirectly from or in connection with~~, or which relate in any manner whatsoever to~~**

- ~~(i)~~ (i) **the assertion by or on behalf of Releasing Parties** or their Constituents **of any Claim or other matter released pursuant to this Release Agreement;**

- ~~(ii)~~ (ii) **the assertion by any third party of any Claim or demand against** any **Franchisor Released ~~Parties~~**Party **which Claim or demand arises directly or indirectly from, or in connection with, any Claims or other matters released pursuant to this Release Agreement,**

- ~~(iii)~~ (iii) **any breach of ~~the~~ representations, warranties or covenants ~~made under this Release Agreement~~**hereunder **by Releasing Parties~~,~~ or**

~~(iv)~~ their Constituents, or (iv) the Franchise Agreement, the Franchised Unit, the Franchised Location, and/or any and all claims of creditors, customers, vendors, suppliers or invitees of the Franchised Unit, or other third parties, for obligations incurred and/or acts or omissions to act by Franchisee, both prior to and following the Effective Date

~~Franchisor shall notify Releasing Parties of the existence of any Claim to which Releasing Parties' indemnification obligations would apply, and shall give Releasing Parties a reasonable opportunity, not to exceed thirty (30) days, to defend such Claim at Releasing Parties' own expense, with counsel of Releasing Parties' own selection Franchisor shall at all times have the right to fully participate in the defense of any such Claim with counsel of its own selection at its own expense If Releasing Parties shall, within a reasonable time after notice of such a Claim, not to exceed thirty (30) days, fail to take adequate steps to~~

~~defend the Claim, Franchisor shall have the right, but not the obligation, to undertake the defense (with counsel of their own selection) of and/or to compromise or settle (exercising reasonable business judgment), the Claim on behalf, for the account, and at the risk, of Franchisee If the Claim is one which cannot by its nature be defended solely by Releasing Parties, then Franchisor shall make available all information and assistance which Releasing Parties may reasonably request~~

~~8 General Provisions~~

8 GENERAL PROVISIONS

8 1 **Amendment** This Release Agreement cannot be modified, altered or otherwise amended except by an agreement in writing signed by all of the ~~Parties~~parties

8 2 **Entire Agreement** This Release Agreement, together with the agreements referenced in this Release Agreement, constitute the entire understanding between and among the ~~Parties~~parties with respect to the subject matter of this Release Agreement and supersedes any prior negotiations and agreements, oral or written, with respect to ~~its~~the subject matter of this Release Agreement The Recitals set forth in Paragraphs A through C of this Release Agreement are true and correct and are incorporated into this Release Agreement as part of this Release Agreement

8 3 **Counterparts and Electronic Transmission, Electronic Signatures** This Release Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original and all of which together shall be deemed to be one and the same instrument Copies of this Release Agreement with signatures that have been transmitted by email or by facsimile shall constitute and be deemed original copies of this Release Agreement for all purposes, provided that the copies are fully executed, dated and identical in form to the original hard copy version of this Release Agreement In addition, this Release Agreement may be signed electronically by the ~~Parties~~parties and electronic signatures appearing on this Release Agreement shall be deemed to be the same as handwritten signatures for the purposes of the validity, enforceability and admissibility of this Release Agreement

8 4 **Heirs, Successors and Assigns** This Release Agreement shall be binding upon and inure to the benefit of the ~~Parties~~parties and their respective heirs, successors and permitted assigns In addition, each of Franchisor Released Parties that is not a ~~Party~~party shall be a third party beneficiary of this Release Agreement, with the right to enforce this Release Agreement for his, her, or its benefit, whether acting alone or in combination with any other Franchisor Released Party

8 5 **Interpretation** The rule that an agreement is to be construed against the party drafting the agreement is hereby waived by the ~~Parties~~parties, and shall have no applicability in construing this Release Agreement or any of its terms The headings used in this Release Agreement are for purposes of convenience only and shall not be used in construing the provisions of this Release Agreement As used in this Release Agreement, the male gender shall include the female and neuter genders, the singular shall include the plural and the plural, the singular

8 6 **Severability and Validity** Any provision of this Release Agreement which is prohibited, unenforceable or not authorized in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition, unenforceability or non-authorization without invalidating the remaining provisions of this Release Agreement or affecting the validity, enforceability or legality of such provision in any other jurisdiction

8.7 **Governing Law and Venue** This Release Agreement shall ~~in all respects~~ be interpreted~~,~~ ~~enforced~~ and ~~governed by~~construed under the ~~internal~~ laws of ~~the State of~~ California In the event of any conflict of law, the law of California shall prevail, without regard to the application of California conflict of law rules If, however, any provision of this Release Agreement would not be enforceable under the laws of California, and if the Franchised Unit is located outside of California and such provision would be enforceable under the laws of the state in which the Franchised Unit is located, then such provision shall be interpreted and construed under the laws of that state ~~The Parties agree that venue for purposes of any legal proceedings brought in connection with or arising out of this Release Agreement shall be conclusively presumed to be in the State of California, County of Los Angeles Releasing Parties~~Nothing in this Section 8.7 is intended by the parties to subject this Release Agreement to any franchise or similar law, rule or regulation of the state of California to which it would not otherwise be subject The parties agree that any action brought by either party against the other in any court, whether federal or state, shall be brought in the Superior Court of California, County of Los Angeles, or the United States District Court for the Central District of California, and the parties hereby waive all questions of personal jurisdiction or venue for the purpose of carrying out this ~~Section 8.7 and submit to the jurisdiction of the Superior Court of the State of California, County of Los Angeles and of the United States District Court for the Central District of California~~provision

8.8 **Authority of Franchisor** Franchisor represents and warrants that (i) Franchisor has the power and authority to enter into this Release Agreement and to perform its obligations under this Release Agreement without the approval or consent of any other person or entity~~,~~; and (ii) the individual who executes this Release Agreement on Franchisor's behalf is duly authorized to do so without the approval or consent of any other person or entity

8.9 **Authority of Releasing Parties** Releasing Parties represent and warrant that (i) ~~Releasing Parties~~they have the power and authority to enter into this Release Agreement and to perform their obligations under this Release Agreement without the approval or consent of any other person or entity~~,~~; and (ii) the individuals who execute this Release Agreement on Releasing Parties' behalves are duly authorized to do so without the approval or consent of any other person or entity

8.10 **No Waiver** No delay, waiver, omission, or forbearance on the part of any ~~Party~~party to exercise any right, option, duty, or power arising out of any breach or default by any other ~~Party~~party of any of the terms, provisions, or covenants of this Release Agreement, and no custom or practice by the ~~Parties~~parties at variance with the terms of this Release Agreement, shall constitute a waiver by any ~~Party~~party to enforce any such right, option, or power as against the other ~~Parties~~parties, or as to a subsequent breach or default by the other ~~Parties~~parties

8.11 **Attorneys' Fees** If any legal action is brought to enforce the terms of this Release Agreement, the prevailing ~~Party~~party shall be entitled to reasonable attorneys' fees and costs, and any and all costs of collection, in addition to any other relief to which that ~~Party~~party may be entitled

~~8.12 **Incorporation of Recitals** The Recitals set forth in paragraphs A through C of this Release Agreement are true and correct and are incorporated into this Release Agreement as part of this Release Agreement~~

8.12 **Further Acts** The parties agree to execute, acknowledge and deliver to any requesting party, and to procure the execution, acknowledgment and delivery to any requesting party, of any additional documents or instruments which the requesting party may reasonably require to fully effectuate and carry out the provisions of this Release Agreement.

(Signature Page Follows)

IN WITNESS WHEREOF, the ~~undersigned~~ parties to this Release Agreement have executed this Release Agreement as of the Effective Date

~~FRANCHISOR~~FRANCHISOR

CHURRO STIX FRANCHISING, LLC,
A California limited liability company

~~By~~ ______________________

~~Name~~ ______________________

~~Title~~ ______________________By

____

Alen Aydinian, its President

~~RELEASING PARTIES~~

FRANCHISEE

______________________;
~~A~~ ______________________

~~By~~ ______________________

____
A ______________________

By ______________________
Name

____

Title

____

OWNER

____
______________________, an individual

____
______________________, an individual

CHURRO STIX FRANCHISING, LLC

EXHIBIT F

TO FRANCHISE DISCLOSURE DOCUMENT

~~OPERATING MANUAL TABLE OF CONTENTS~~FINANCIAL STATEMENTS

A. ANDREW GIANIODIS

CERTIFIED PUBLIC ACCOUNTANT

CHURRO STIX FRANCHISING LLC

DECEMBER 31, 2017 AND 2016

FINANCIAL STATEMENTS

279 Niagara Falls Blvd Amherst, New York 14226 716 – 510-6068

CHURRO STIX FRANCHISING LLC

Table of Contents

A. ANDREW GIANIODIS
CERTIFIED PUBLIC ACCOUNTANT

February 12, 2018

INDEPENDENT AUDITORS' REPORT

Board of Directors and Stockholders of
Churro Stix Franchising LLC

REPORT ON FINANCIAL STATEMENTS

I have audited the accompanying balance sheet of Churro Stix Franchising LLC as of December 31, 2017 and 2016, and the related statements of operations, changes in member's equity and cash flows for the year and period then ended These financial statements are the responsibility of the Company's management. My responsibility is to express an opinion on these statements based on my audits

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

My responsibility is to express an opinion on these financial statements based on my audits I conducted my audits in accordance with generally accepted auditing standards as accepted in the United States of America Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement

An audit includes performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements The procedures selected depend on the auditor's judgment, including the assessment of risks of material misstatements of the financial statements, whether due to fraud or error In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control Accordingly, I express no such opinion

279 Niagara Falls Blvd Amherst, New York 14226 716 – 510-6068

An audit also includes evaluating appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion

OPINION

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Churro Stix Franchising LLC as of December 31, 2017 and 2016 and the results of operations and its cash flows for the year and period then ended in conformity with accounting principles generally accepted in the United States of America

CPA

A Andrew Gianiodis

Certified Public Accountant

Churro Stix Franchising LLC

Balance Sheet
December 31, 2017 and 2016

ASSETS

	2017	2016
Current Assets		
Cash	$ 24,050	$ 63,388
Accounts Receivable	-	-
Total Current Assets	24,050	63,388
Fixed Assets		
Equipment	3,800	-
Accumulated Depreciation	-	-
Total Fixed Assets	3,800	-
Other Assets		
Deposit	-	-
	-	-
TOTAL ASSETS	$ 27,850	$ 63,388

LIABILITIES & STOCKHOLDERS' EQUITY

	2017	2016
Current Liabilities		
Due to Affiliate	$ -	$ -
Note Payable	-	-
Total Liabilities	-	-
Member's Equity	27,850	63,388
TOTAL LIABILITIES & STOCKHOLDERS' EQUITY	$ 27,850	$ 63,388

See accompanying notes

Churro Stix Franchising LLC

Statement of Operations
Year Ending December 31, 2017and Period Ending December 31, 2016

	2017	2016
Revenues		
Franchise fees	$	$ 20,000
Other Income	-	-
Total revenue	-	20,000
Expenses		
Bank Charges	353	6
Computer Expenses	18,328	-
Dues	1,000	-
Marketing	16,504	-
Miscellaneous	2,566	324
Office expense	1,169	1,982
Payroll Expenses	2,453	-
Permits	599	-
Professional Fees	18,570	6,500
Rent and Occupancy Expenses	9,141	-
Total expenses	70,683	8,812
Operating Income	(70,683)	11,188
Income Taxes	1,600	-
Net Income/(Loss)	$ (72,283)	$ 11,188

See accompanying notes

Churro Stix Franchising LLC

Statement of Changes in Member's Equity
Year Ending December 31, 2017and Period Ending December 31, 2016

	Total Equity
Member's equity - May 26, 2016	$ -
Capital Contribution	68,050
Draws	(15,850)
Net Income	11,188
Member's equity - December 31, 2016	$ 63,388
Member's equity - January 1, 2017	$ 63,388
Capital Contribution	47,610
Draws	(10,865)
Net Loss	(72,283)
Member's equity - December 31, 2017	$ 27,850

See accompanying notes

A. ANDREW GIANNODIS

CERTIFIED PUBLIC ACCOUNTANT

CHURRO STIX FRANCHISING LLC

JUNE 22, 2016

FINANCIAL STATEMENTS

279 Niagara Falls Blvd Amherst, New York 14226 716 – 510-6068

CHURRO STIX FRANCHISING LLC

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A ANDREW GIANIODIS
CERTIFIED PUBLIC ACCOUNTANT

June 22, 2016

INDEPENDENT AUDITORS' REPORT

Board of Directors and Stockholders of
Churro Stix Franchising LLC

REPORT ON FINANCIAL STATEMENTS

I have audited the accompanying balance sheet of Churro Stix Franchising LLC as of June 22, 2016, and the related statements of operations, changes in member's equity and cash flows for the period then ended These financial statements are the responsibility of the Company's management My responsibility is to express an opinion on these statements based on my audits

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

My responsibility is to express an opinion on these financial statements based on my audits I conducted my audits in accordance with generally accepted auditing standards as accepted in the United States of America Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit includes performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements The procedures selected depend on the auditor's judgment, including the assessment of risks of material misstatements of the financial statements, whether due to fraud or error In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control Accordingly, I express no such opinion

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An audit also includes evaluating appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion

OPINION

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Churro Stix Franchising LLC as of June 22, 2016 and the results of operations and its cash flows for the period then ended in conformity with accounting principles generally accepted in the United States of America

A. Andrew Gianiodis

Certified Public Accountant

279 Niagara Falls Blvd Amherst, New York 14226 716 – 510-6068

Churro Stix Franchising LLC

Balance Sheet
June 22, 2016

ASSETS

Current Assets		
Cash	$	50,000
Accounts Receivable		-
Total Current Assets		50,000
Other Assets		
Deposit		-
		-
TOTAL ASSETS	$	50,000

LIABILITIES & STOCKHOLDERS' EQUITY

Current Liabilities		
Due to Affiliate	$	-
Note Payable		-
Total Liabilities		-
Member's Equity		
Capital Contribution		50,000
Retained Deficit		-
Total Equity		50,000
TOTAL LIABILITIES & STOCKHOLDERS' EQUITY	$	50,000

See accompanying notes

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2017 Churro Stix FDD
Financial Statements~~2016~~

Churro Stix Franchising LLC

Statement of Operations
Period Ending June 22, 2016

Revenues		
Franchise royalties	$	-
Other Income		-
Total revenue		-
Expenses		
Bank Charges		-
Franchise Expenses		-
Insurance		-
Marketing		-
Miscellaneous		-
Permits		-
Professional Fees		-
Supplies		-
Trade Shows		-
Total expenses		-
Operating Income		-
Income Taxes		-
Net Income	$	-

See accompanying notes

Churro Stix Franchising LLC

Statement of Changes in Member's Equity
Period Ending June 22, 2016

	Capital Contributions	Retained Earnings	Total Equity
Member's equity - May 26, 2016	$ -	$ -	$ -
Capital Contribution	50,000	-	50,000
Draws	-	-	-
Net Income	-	-	-
Member's equity - June 22, 2016	$ 50,000	$ -	$ 50,000

See accompanying notes

Churro Stix Franchising LLC

Statement of Cash Flows
Period Ending June 22, 2016

Cash flows from operating activities		
Net Income	$	-
Adjustments to reconcile net loss to net cash provided by operating activities		
Depreciation & amortization		-
Changes in assets and liabilities		
Current assets		
Current liabilities		
Net cash provided by operating activities		-
Cash flows from investing activities		
Expenditures on Intangibles		-
Net cash provided by investing activities		-
Cash flows from financing activities		
Capital Contributions		50 000
Draws		-
Net cash provided by investing activities		50 000
Net increase in cash		50 000
Cash - beginning of period		-
Cash - end of period	$	50 000
Supplemental Disclosures		
Interest Paid	$	-
Income Taxes Paid	$	-

See accompanying notes

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

ORGANIZATION AND NATURE OF BUSINESS

The Company was organized as a Limited Liability Company under the laws of the State of California for the purpose of offering franchise opportunities to entrepreneurs who want to own and operate their own Churro Stix operation, as a franchise

BASIS OF PRESENTATION

The financial statements are presented on the accrual basis of accounting

REVENUE RECOGNITION

Initial franchise fees will be recorded as income when the company provides substantially all the initial services agreed upon in the franchise agreement or when the franchise has commenced operations, whichever comes first If the fee is received over a period of time and the Company Ideal installment method of recognition of the initial fee as revenue

Monthly royalty fees will be recognized when paid by the franchisee

COMPANY INCOME TAXES

The Company, with the consent of its owners, has elected to be a limited liability company In lieu of income taxes at the business level, the members of a limited liability company is taxed based on its proportionate share of the Company's taxable income Therefore, no provision or liability for income taxes has been included in these financial statements

NOTE 2 DISCLOSURE ABOUT FAIR VALUE OF FINANCIAL INSTRUMENTS

The Company estimates that the fair value of all financial instruments at June 22, 2016 as defined in FASB 107, does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying balance sheet The estimated fair value amounts have been determined by the Company using available market information and appropriate valuation methodologies Considerable judgment is required in interpreting market data to develop the estimates of fair value, and accordingly, the estimates are not necessarily indicative of the amounts that the Company could realize in a current market exchange

CHURRO STIX FRANCHISING, LLC

EXHIBIT G

TO FRANCHISE DISCLOSURE DOCUMENT

~~CURRENT AND FORMER FRANCHISEES AS OF DECEMBER 31, 2016~~OPERATING MANUAL TABLE OF CONTENTS

~~EXHIBIT F~~

OPERATING MANUAL TABLE OF CONTENTS

CHURRO STIX FRANCHISING, LLC

EXHIBIT H

TO FRANCHISE DISCLOSURE DOCUMENT

~~STATE ADDENDA TO DISCLOSURE DOCUMENT~~CURRENT AND FORMER FRANCHISEES

~~EXHIBIT G~~

LIST OF CURRENT ~~AND FORMER~~ FRANCHISEES AS OF DECEMBER 31, ~~2016~~2017

Ezra Centeno
3301-1 E Main Street, #K231
Ventura, California 93003
805-205-3731

~~NONE~~

LIST OF OUTLETS TRANSFERRED FROM FRANCHISEES TO NEW OWNERS AS OF DECEMBER 31, ~~2016~~2017

NONE

FRANCHISEES WHO HAD AN OUTLET TERMINATED, CANCELLED, NOT RENEWED OR OTHERWISE VOLUNTARILY OR INVOLUNTARILY CEASED TO DO BUSINESS AS OF DECEMBER 31, ~~2016~~2017

NONE

LIST OF COMPANY-OWNED LOCATIONS AS OF DECEMBER 31, 2017

Churro Stix, LLC
6600 Topanga Canyon Blvd., #9028
Canoga Park, California 91303
(818) 888-3950

FRANCHISEES WHO HAVE SIGNED FRANCHISE AGREEMENTS BUT HAVE NOT YET OPENED AS OF DECEMBER 31, 2017

NONE

IF YOU BUY THIS FRANCHISE, YOUR CONTACT INFORMATION MAY BE DISCLOSED TO OTHER BUYERS WHEN YOU LEAVE THE FRANCHISE SYSTEM

~~FRANCHISEES WHO HAVE SIGNED FRANCHISE AGREEMENTS BUT HAVE NOT YET OPENED AS OF DECEMBER 31, 2016~~

~~Ezra Eusebio Centeno, Oxnard, CA 93030 (805) 205-3731~~

~~IF YOU BUY THIS FRANCHISE, YOUR CONTACT INFORMATION MAY BE DISCLOSED TO OTHER BUYERS WHEN YOU LEAVE THE FRANCHISE SYSTEM~~

CHURRO STIX FRANCHISING, LLC

EXHIBIT I

TO FRANCHISE DISCLOSURE DOCUMENT

~~CONFIDENTIALITY AGREEMENTRECEIPTS~~STATE ADDENDA TO DISCLOSURE DOCUMENT

~~EXHIBIT H~~

STATE ADDENDA TO DISCLOSURE DOCUMENT

CALIFORNIA ADDENDUM TO DISCLOSURE DOCUMENT

In the State of California only, this Disclosure Document is amended as follows

California Corporations Code, Section 31125 requires the franchisor to give the franchisee a disclosure document, approved by the Department of Business Oversight, prior to a solicitation of a proposed material modification of an existing franchise

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

OUR WEBSITE ~~WWW CHURROSTIX COM~~WWW CHURROSTIX COM HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF BUSINESS OVERSIGHT ANY COMPLAINTS CONCERNING THE CONTENT OF THIS WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF BUSINESS OVERSIGHT AT ~~WWW DBO CA GOV~~ WWW DBO CA GOV

THESE FRANCHISES HAVE BEEN REGISTERED UNDER THE FRANCHISE INVESTMENT LAW OF THE STATE OF CALIFORNIA SUCH REGISTRATION DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION OR ENDORSEMENT BY THE COMMISSIONER OF BUSINESS OVERSIGHT NOR A FINDING BY THE COMMISSIONER THAT THE INFORMATION PROVIDED HEREIN IS TRUE, COMPLETE AND NOT MISLEADING

1 The following paragraph is added to the end of Item 3 of the Disclosure Document

> Neither we nor any person identified in Item 2, or an affiliate or franchise broker offering franchises under our principal trademark is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities and Exchange Act of 1934, 15 U S C A 78a et seq, suspending or expelling such person from membership in that association or exchange

2 The following paragraphs are added at the end of Item 17 of the Disclosure Document

> The Franchise Agreement requires franchisee to sign a general release of claims upon renewal or transfer of the Franchise Agreement California Corporations Code Section 31512 provides that any condition, stipulation or provision purporting to bind any person acquiring a franchise to waive compliance with any provision of that law or any rule or order thereunder is void
>
> California Business and Professions Code Sections 20000 through 20043 provide rights to the franchisee concerning termination, transfer, or non-renewal of a franchise If the Franchise Agreement contains a provision that is inconsistent with the law, the law will control

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

The Franchise Agreement contains a covenant not to compete which extends beyond the termination of the franchise This provision may not be enforceable under California law

The Franchise Agreement contains a liquidated damages clause Under California Civil Code Section 1671, certain liquidated damages clauses are unenforceable

The Franchise Agreement requires binding arbitration The arbitration will occur in the city and state where our headquarters are located, currently Los Angeles County, California, with the costs being borne by the non-prevailing party Prospective franchisees are encouraged to consult private legal counsel to determine the applicability of California and federal laws (such as Business and Professions Code Section 20040 5, Code of Civil Procedure Section 1281, and the Federal Arbitration Act) to any provisions of a franchise agreement restricting venue to a forum outside the State of California

3 The following paragraph is added at the end of Item 19 of the Disclosure Document

The earnings claims figures do not reflect the costs of sales, operating expenses, or other costs or expenses that must be deducted from the gross revenue or gross sales figures to obtain your net income or profit You should conduct an independent investigation of the costs and expenses you will incur in operating your franchised business Franchisees or former franchisees, listed in the offering circular, may be one source of this information

CALIFORNIA
ADDENDUM TO FRANCHISE AGREEMENT

THIS ADDENDUM TO FRANCHISE AGREEMENT (this "**Addendum**") dated ______________, is intended to be a part of, and by this reference is incorporated into that certain Franchise Agreement (the "**Franchise Agreement**") dated ______________, by and between CHURRO STIX FRANCHISING, LLC, a California limited liability company, as franchisor ("**Franchisor**"), and ______________, as franchisee ("**Franchisee**"). Where and to the extent that any of the provisions of this Addendum are contrary to, in conflict with or inconsistent with any provision contained in the Franchise Agreement, the provisions contained in this Addendum shall control. Defined terms contained in the Franchise Agreement shall have the identical meanings in this Addendum.

1. For the purposes of Cal. Bus. & Prof. Code Section 20022, Franchisor and Franchisee agree that:

   a. Franchisee will use the declining-balance depreciation method to calculate the value of Franchisee's assets (inventory, supplies, equipment, fixtures, and furnishings) for the purposes of a purchase by Franchisor under Section 20022. The purchase price by Franchisor for these assets will not include the cost of removal and transportation of those assets, which will be Franchisee's responsibility.

   b. For the purposes of Section 20022, Franchisee is not able to provide Franchisor with "clear title and possession" to Franchisee's Assets if those Assets are subject to liens or encumbrances including: (i) purchase money security interests, (ii) blanket security interests, (iii) rights of first refusal, (iv) liens by franchisee's landlord, or (v) tax liens.

   c. For the purposes of Section 20022(h), Franchisor's right of offset will include the following amounts owed by Franchisee to Franchisor or Franchisor's affiliates: (i) Royalty Fees, (ii) Marketing Fund Fees, (iii) liquidated damages, (iv) Transfer Fees, and (v) any other type of fee owed by Franchisee to Franchisor or Franchisor's affiliates.

2. For the purposes of Cal. Bus. & Prof. Code Section 20035, Franchisor and Franchisee agree that:

   a. "**Fair market value of the franchise assets**" means the value of Franchisee's Assets, valued according to the declining-balance method of depreciation. The purchase price by Franchisor for the Assets will not include the cost of removal and transportation of those assets, which will be Franchisee's responsibility.

   b. "**Fair market value of the franchised business**" means the "**fair market value of the franchise assets**" as defined above, plus goodwill. The parties agree that the value of goodwill is the amount of Royalty Fees paid by Franchisee to Franchisor within the twelve (12) month period immediately before Franchisor's termination or failure to renew if Franchisor are in violation of the California Franchise Relations Act.

(Signature Page Follows)

IN WITNESS WHEREOF, each of the undersigned hereby acknowledges having read this Addendum, and understands and consents to be bound by all of its terms

Agreed to by

FRANCHISOR

CHURRO STIX FRANCHISING, LLC

By ______________________________
Name ____________________________
Title _____________________________
Date _____________________________

FRANCHISEE

[if an individual]

____
Name ____________________________
Date _____________________________

[if an entity]

____

By ______________________________
Name ____________________________
Title _____________________________
Date _____________________________

CHURRO STIX FRANCHISING, LLC

EXHIBIT J

TO FRANCHISE DISCLOSURE DOCUMENT

~~RECEIPTS~~CONFIDENTIALITY AGREEMENT

CHURRO STIX FRANCHISING, LLC
CONFIDENTIALITY AGREEMENT

THIS CONFIDENTIALITY AGREEMENT (this "**Agreement**") is made this __ day of ____________________, 20__ (the "**Effective Date**"), by and between **CHURRO STIX FRANCHISING, LLC**, a California limited liability company ("**Franchisor**"), on the one hand, and ______________________, a ______________________ ("**Candidate**"), on the other hand, who are individually referred to in this Agreement as a "**Party**", and collectively referred to in this Agreement as "**Parties**", with reference to the following facts

A Franchisor and Franchisor's Affiliates, Churro Stix, LLC, a California limited liability company, Churro Stix Mobile 1, LLC, a California limited liability company, and CS Distribution, LLC, a California limited liability company (collectively, its "**Affiliates**"), have developed the "**Churro Stix System**" for the establishment and operation of food businesses selling made-to-order churros under the trade name and service mark "**Churro Stix**" and other related trademarks, service marks, logos and commercial symbols (collectively, the "**Churro Stix Marks**") The Churro Stix System is the system developed by Franchisor and its Affiliates that includes proprietary, confidential Operating Manual and related materials that include guidelines, standards and policies for the development and operation, methods for developing and operating the Churro Stix System, and trade secrets that include all non-public plans, data, financial information, processes, vendor pricing, supply systems, marketing systems, formulas, techniques, designs, layouts, operating procedures, customer data, information and know-how

B Franchisor has the right to use, and to license others to use, the Churro Stix Marks and the Churro Stix System, and has, as a result of its expenditure of time, skill, effort, and money, developed a distinctive franchise model for qualified franchisees to obtain the right to operate Churro Stix businesses using the Churro Stix Marks and the Churro Stix System ("**Churro Stix Businesses**")

C Franchisor may provide Candidate with confidential and proprietary information regarding the Churro Stix System prior to granting or declining to grant Candidate a franchise- or entering into a franchise agreement with Candidate Franchisor desires that Candidate maintain the confidentiality of all such confidential and proprietary information on the terms and conditions set forth in this Agreement

NOW, THEREFORE, IT IS AGREED

1 **INCORPORATION OF RECITALS**

The recitals set forth in Paragraph A through Paragraph C above are true and correct and are hereby incorporated by reference into the body of this Agreement

2 **CONFIDENTIALITY**

Candidate acknowledges and agrees that

2 1 **Confidential Information** Candidate's knowledge of the elements of the Churro Stix System and any other proprietary data that may be disclosed to Candidate by Franchisor, or any Affiliate of Franchisor, including, without limitation, any and all confidential and/or proprietary knowledge, data or information of a party and any and all confidential and/or proprietary knowledge, data or information which a party has obtained or obtains from another person or entity and which a party treats as proprietary or designates (whether or not in writing or electronic form) as "**Confidential Information**" By way of illustration, but not limitation, "**Confidential Information**" includes tangible and intangible information (whether or not in electronic form) relating to Franchisor's business operations, styles, products and services, recipes, cooking and preparation techniques and methods, sources of materials and

equipment, customer management and other software, data, other content, formulations, patterns, compilations, programs, devices and processes, business relationships, contact information for industry professionals, developmental or experimental work and services, improvements, discoveries, plans for research, potential new or supplemental products and services, websites, advertisements or ancillary products and services, marketing and selling methods and/or plans, business plans, budgets and unpublished financial statements, licenses, prices and costs, vendors, collaborators, current customer and prospective customer names and addresses, information regarding credit extensions to customers, customer service purchasing histories and prices charged to customers, customer lists and other customer data, information regarding the skills and compensation of employees and contractors of Franchisor, designs, drawings, specifications, source code, object code, documentation, diagrams, flowcharts, research, development, marketing techniques and materials, trademarks, trade secrets, sales/license techniques, inventions, copyrightable material, trademarkable material, databases, relationships between Franchisor and other companies, persons or entities, the Churro Stix System, and any other information or material considered proprietary by Franchisor whether or not designated as confidential information by Franchisor, that is not generally known by the public, or which derives independent economic value (actual or potential) from not being generally known to the public or persons unaffiliated with Franchisor or its Affiliates and which is the subject of efforts by Franchisor that are reasonable under the circumstances to maintain its secrecy, and any other information in oral, written, graphic or electronic form which, given the circumstances surrounding its disclosure, would be considered confidential. Confidential Information also includes the manner in which any of the above described items may be combined with any other information or products or synthesized or used by Candidate. Confidential Information does not include any information that was in the lawful and unrestricted possession of Candidate prior to its disclosure by Franchisor, is or becomes generally available to the public by acts other than those of Candidate after receiving it, has been received lawfully and in good faith by Candidate from a third party who did not derive it from Franchisor or Candidate, or is shown by acceptable evidence to have been independently developed by Candidate.

2.2 **Value**. The Confidential Information has been developed by Franchisor and its Affiliates by the investment of time, skill, effort and money and is widely recognized by the public and is of substantial value.

2.3 **Proprietary**. The Confidential Information is proprietary, confidential and constitutes a trade secret of Franchisor and its Affiliates.

2.4 **Maintain Confidentiality**. Candidate will fully and strictly maintain the confidentiality of the Confidential Information, will exercise the highest degree of diligence in safeguarding the Confidential Information and will not disclose or reveal the Confidential Information to any person other than another person who is actively and directly participating in the acquisition of the franchise with Candidate, but only after first disclosing the identity of such person to Franchisor in writing and obtaining such person's signature on a Non-Disclosure Agreement similar to this Agreement, unless covered by attorney-client privilege.

2.5 **Reproduction and Use**. Candidate will not directly or indirectly reproduce or copy any Confidential Information or any part of it and will make no use of any Confidential Information for any purpose whatsoever unless and until Candidate becomes a franchisee of Franchisor, and then only in accordance with the provisions of Candidate's Franchise Agreement.

2.6 **No Prior Experience**. Candidate specifically acknowledges and agrees that prior to the execution of this Agreement, Candidate had no experience, information or knowledge whatsoever about operating a restaurant that offers and sells churros as its primary menu item or a Churro Stix business, and that Candidate's knowledge of the Confidential Information was obtained solely from Franchisor pursuant to this Agreement. In addition, Candidate specifically acknowledges that, pursuant to this Agreement, Candidate will receive valuable Confidential Information regarding the operational, sales, promotional, and marketing methods and techniques of Franchisor and the Churro Stix System, which are unique and proprietary to Franchisor, derive independent economic value from not being generally known to the public and are the subject of Franchisor's efforts and that are reasonable under the circumstances to maintain their secrecy

3 **GENERAL**

3 1 **Injunction** Candidate recognizes the unique value and secondary meaning attached to the Confidential Information and the elements of the Churro Stix System and agrees that any noncompliance with the terms of this Agreement or any unauthorized or improper use of the Confidential Information will cause irreparable damage to Franchisor and its franchisees Candidate therefore agrees that if Candidate should engage in any such unauthorized or improper use of the Confidential Information, Franchisor shall be entitled to both permanent and temporary injunctive relief from any court of competent jurisdiction without notice or the posting of any bond, in addition to any other remedies prescribed by law

3 2 **Heirs and Successors** This Agreement shall be binding upon and inure to the benefit of the Parties, their heirs, successors and permitted assigns

3 3 **Entire Agreement** This Agreement represents the entire understanding between the Parties regarding the subject matter of this Agreement and supersedes all other negotiations, agreements, representations and covenants, oral or written This Agreement may not be modified except by a written instrument signed by Franchisor and Candidate that expressly modifies this Agreement The Parties intend this Agreement to be the entire integration of all of their agreements on this subject of any nature regarding the subject matter of this Agreement No other agreements, representations, promises, commitments or the like, of any nature, exist between the Parties

3 4 **No Warranties** Candidate acknowledges and agrees that Franchisor has made no promises, representations or warranties to Candidate that are inconsistent with the terms of this Agreement or Franchisor's Franchise Disclosure Document concerning the profitability or likelihood of success of the Churro Stix Businesses, that Candidate has been informed by Franchisor that there can be no guaranty of success in the Churro Stix Businesses and that Candidate's business ability and aptitude are primary in determining his success

3 5 **No Right to Use the System, Churro Stix Marks or Confidential Information** This Agreement is not a Franchise Agreement or a license of any sort, and does not grant Candidate any right to use or to franchise or license the use of, the Churro Stix System, the Churro Stix Marks or the Confidential Information, which right is expressly reserved by Franchisor

3 6 **Waiver** Failure by Franchisor to enforce any rights under this Agreement shall not be construed as a waiver of such rights Any waiver, including a waiver of default, in any one instance shall not constitute a continuing waiver or a waiver in any other instance

3 7 **Validity** Any invalidity of any portion of this Agreement shall not affect the validity of the remaining portions and unless substantial performance of this Agreement is frustrated by any such invalidity, this Agreement shall continue in full force and effect

3 8 **Headings and Gender** The headings in this Agreement are for purposes of convenience only and shall not be used in construing the provisions of this Agreement As used in this Agreement, the male gender shall include the female and neuter genders, the singular shall include the plural and the plural, the singular

3 9 **Attorneys' Fees** If Franchisor becomes a party to any legal proceedings concerning this Agreement by reason of any act or omission of Candidate or its authorized representatives, Candidate shall be liable to Franchisor

for the reasonable attorneys' fees and court costs incurred by Franchisor in the legal proceedings If either Party commences a legal proceeding against the other Party arising out of or in connection with this Agreement, the prevailing Party shall be entitled to have and recover from the other Party its reasonable attorneys' fees and costs of suit

3 10 **Cumulative Remedies** Any specific right or remedy set forth in this Agreement, legal, equitable, or otherwise, shall not be exclusive, but shall be cumulative with all other rights or remedies set forth in this Agreement or allowed or allowable by law

3 11 **Notices** All notices or demands to be given under this Agreement shall be in writing and shall be served in person, by air courier delivery or by certified mail Service shall be deemed conclusively made (i) at the time of service, if personally served, (ii) three (3) business days after delivery by the Party giving the notice, statement or demand if by air courier with a guaranteed tracking facility, or (iii) three (3) business days after placement in the United States mail by Certified Mail, Return Receipt Requested, with postage prepaid Notices and demands shall be given to the respective Parties at the following addresses, unless and until a different address has been designated by written notice to the other Party

Notices to Franchisor

CHURRO STIX FRANCHISING, LLC
6600 Topanga Canyon Blvd #9028
Canoga Park, CA 91303
Attention President

With a copy to (which shall not constitute notice)

Barry Kurtz, Esq
Lewitt, Hackman, Shapiro, Marshall and Harlan
16633 Ventura Boulevard, 11th Floor
Encino, California 91436

Notices to Candidate

____
____
____
____
Attention ________________

Either Party may change its address for the purpose of receiving notices, demands and other communications by a written notice given in the manner set forth above to the other Party

3 12 **Venue** The Parties agree that all disputes arising out of or relating to this Agreement shall be brought in the Superior Court of California, County of Los Angeles, or the United States District Court of the Central District of California To the fullest extent that the Parties may do so under applicable law, the Parties waive the defense of inconvenient forum to the maintenance of an action in these Courts and agree not to commence any action of any kind except in these Courts

3 13 **Governing Law** This Agreement shall be interpreted and construed under the laws of California In the event of any conflict of law, the law of California shall prevail, without regard to the application of California conflict of law rules If, however, any provision of this Agreement would not be enforceable under the laws of California, and if the Churro Stix would be located outside of California and such provision would be enforceable under the

laws of the state in which the Churro Stix would be located, then such provision shall be interpreted and construed under the laws of that state Nothing in this Section 3 13 is intended by the Parties to subject this Agreement to any franchise or similar law, rules, or regulation of any state to which it would not otherwise be subject

3 14 **Counterparts and Electronic Transmission, Electronic Signatures** This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original and all of which together shall be deemed to be one and the same instrument Copies of this Agreement with signatures that have been transmitted by email or by facsimile shall constitute and be deemed original copies of this Agreement for all purposes, provided that the copies are fully executed, dated and identical in form to the original hard copy version of this Agreement In addition, this Agreement may be signed electronically by the Parties and electronic signatures appearing on this Agreement shall be deemed to be the same as handwritten signatures for the purposes of the validity, enforceability and admissibility of this Agreement

IN WITNESS WHEREOF, the Parties have executed this Agreement on the Effective Date

FRANCHISOR

CHURRO STIX FRANCHISING, LLC,
A California limited liability company

By ______________________________
Name ____________________________
Title _____________________________

CANDIDATE

(IF CANDIDATE IS A CORPORATION, LIMITED LIABILITY COMPANY, OR PARTNERSHIP)

____
[Print Name of Franchisee Entity]

By ______________________________
Name ____________________________
Title _____________________________

OR

(IF CANDIDATE IS AN INDIVIDUAL)

____
Print Name

____
Signature

____
Print Name

____
Signature

CHURRO STIX FRANCHISING, LLC

EXHIBIT K

TO FRANCHISE DISCLOSURE DOCUMENT

RECEIPTS

RECEIPT

This disclosure document summarizes certain provisions of the franchise agreement and other information in plain language Read this disclosure document and all agreements carefully

If Churro Stix 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 a payment to, the franchisor or an affiliate in connection with the proposed franchise sale New York requires that you be given this disclosure document at the earlier of the first personal meeting or 10 business days before the execution of any franchise or other agreement, or payment of any consideration that relates to the franchise relationship

If Churro Stix 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 law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D C 20580 and any applicable state agency (which are listed in Exhibit A)

The name, principal business address, and telephone number of each franchise seller offering the franchise is

Name	Principal Business Address	Telephone Number
Alen Aydinian	~~6600 Topanga Canyon Blvd #9028 Canoga Park, CA 91303~~6034 San Fernando RoadGlendale, CA 91202	818-636-6397
Devin Conner	46-E Peninsula Center, #263 Rolling Hills, CA 90274	424-237-2066

Issuance Date April ~~14, 2017~~16, 2018

I received a disclosure document dated April ~~14, 2017~~16, 2018, that included the following Exhibits

A List of State Administrators and Agents for Service of Process
B Franchise Agreement (with ~~Guaranty~~Guarantee and Non-Compete Agreement)
C Mobile Restaurant Addendum
D Rider to Lease Agreement
~~D Form of~~ E General Release
~~E~~F Financial Statements
~~F~~G Operating Manual Table of Contents
~~G~~H Current and Former Franchisees
~~H~~I State Addenda to Disclosure Document
~~I~~J Confidentiality Agreement
K Receipts

Signature ______________________________

Date Received ____________________

Keep This Copy For Your Records

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 Churro Stix 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 a payment to, the franchisor or an affiliate in connection with the proposed franchise sale New York requires that you be given this disclosure document at the earlier of the first personal meeting or 10 business days before the execution of any franchise or other agreement, or payment of any consideration that relates to the franchise relationship

If Churro Stix 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 law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D C 20580 and any applicable state agency (which are listed in Exhibit A)

The name, principal business address, and telephone number of each franchise seller offering the franchise is

Name	Principal Business Address	Telephone Number
Alen Aydinian	~~6600 Topanga Canyon Blvd #9028 Canoga Park~~6034 San Fernando Road Glendale, CA ~~91303~~91202	818-636-6397
Devin Conner	46-E Peninsula Center, #263 Rolling Hills, CA 90274	424-237-2066

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- K Receipts

Signature ______________________

Date Received ______________________

Return this copy to us
Churro Stix Franchising, LLC

D \Users\PKaravanich\Desktop\Churro Stix\COMPARED\Receipt docx
~~2017 Churro Stix~~2018 CHURRO STIX FDD ~~Receipt~~RECEIPT
4/18/2018

~~6600 Topanga Canyon Blvd #9028, Canoga Park, CA 91303~~6304 San Fernando Road, Glendale, CA 91202