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FRANCHISE DISCLOSURE DOCUMENT

Churroholic Franchising, Inc
a California corporation
12602 Hoover Street
Garden Grove, California 92841
877 588 3209
www churroholic com
www facebook com/@thechurroholic
twitter com/@churroholic

The franchise offered is for the operation of a fast casual counter-order/table service restaurant that features a variety of handcrafted churros and churro glazes, as well as other foods and drinks in a casual atmosphere (a "**CHURROHOLIC® Restaurant**" or "**Restaurant**")

The total investment necessary to begin operation of a CHURROHOLIC® Restaurant ranges from $477,500 to $727,500 These totals include initial fees ranging from $145,500 to $178,500 that must be paid to us

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

You may wish to receive your disclosure document in another format that is more convenient for you To discuss the availability of disclosures in different formats, contact Sky Minh Hoang, 12602 Hoover Street, Garden Grove, California 92841 - ~~877 588 3209~~877.588.3209.

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 accountant

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

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

Date of Issuance ~~January 10, 2018, as amended June 15, 2018~~ August 29, 2019

STATE COVER PAGE

Your state may have a franchise law that requires a franchisor 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 "L" 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 IN ORDER TO RENEW

Please consider the following RISK FACTORS before you buy this franchise

1 ~~YOU WILL NOT RECEIVE AN EXCLUSIVE TERRITORY THERE ARE NO RESTRICTIONS ON WHERE WE MAY OPERATE OR FRANCHISE CHURROHOLIC® RESTAURANTS~~ THE FRANCHISE AGREEMENT REQUIRES YOU TO RESOLVE DISPUTES WITH US BY ARBITRATION AND BY LITIGATION ONLY IN CALIFORNIA. OUT-OF-STATE ARBITRATION AND LITIGATION MAY FORCE YOU TO ACCEPT A LESS FAVORABLE SETTLEMENT FOR DISPUTES. IT MAY ALSO COST YOU MORE TO ARBITRATION WITH US IN CALIFORNIA AND TO SUE US IN CALIFORNIA THAN IN YOUR OWN STATE.

2 THE FRANCHISE AGREEMENT STATES THAT CALIFORNIA LAW ~~IN WHICH YOU ARE LOCATED~~ 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 FRANCHISOR IS UNDERCAPITALIZED AND MAY NOT BE ABLE TO MEET PRE-OPENING OBLIGATIONS TO ALL FRANCHISEES

4 FRANCHISEES MUST ALSO SIGN A PERSONAL GUARANTY, MAKING YOUR SPOUSE INDIVIDUALLY LIABLE FOR YOUR FINANCIAL OBLIGATIONS UNDER THE AGREEMENT IF YOU ARE MARRIED THE GUARANTEE WILL PLACE YOUR SPOUSE'S MARITAL AND PERSONAL ASSETS AT RISK IF YOUR FRANCHISE FAILS

5 THERE MAY BE OTHER RISKS CONCERNING THIS FRANCHISE

We 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

The effective dates of this disclosure document in the states with franchise registration laws in which we have sought registration appear on the following page

CHURROHOLIC
~~**STATE REGISTRATIONS**~~
State Effective Date

The following states require that the Franchise Disclosure Document be registered or filed with the ~~state~~states, or be exempt from registration California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington and Wisconsin

~~This Franchise Disclosure Document is registered, on file or exempt from registration~~ This document is effective and may be used in the following states ~~having franchise registration and disclosure laws, with the following effective dates~~ where the document is filed, registered or exemption from registrations, as of the Effective Date stated below.

STATE	EFFECTIVE DATE(S)
California	Effective ~~March 23, 2018, as amended August 7, 2018~~ , 2019
Hawaii	
Illinois	
Indiana	
Maryland	
Michigan	
Minnesota	
New York	
North Dakota	
Rhode Island	
South Dakota	
Virginia	
Washington	
Wisconsin	

<u>THE FOLLOWING PROVISIONS APPLY ONLY TO</u>
<u>TRANSACTIONS GOVERNED BY</u>
<u>THE MICHIGAN FRANCHISE INVESTMENT LAW</u>

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

1 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 protections provided in this act This shall not preclude a franchisee, after entering into a franchise agreement, from settling any and all claims

2 A provision that permits a franchisor to terminate a franchise before 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

3 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

4 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

5 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

6 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

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

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

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

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

7 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)

8 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 00, 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

State of Michigan
Department of Attorney General
CONSUMER PROTECTION DIVISION
Attention Franchise
670 Law Building, 1st Floor
Lansing, Michigan 48913
Telephone Number (517) 373-7117

CHURROHOLIC®
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APPLICABLE STATE LAW MAY REQUIRE ADDITIONAL DISCLOSURES RELATED TO THE INFORMATION CONTAINED IN THIS DISCLOSURE DOCUMENT THESE ADDITIONAL DISCLOSURES, IF ANY, APPEAR IN AN ADDENDUM OR RIDER

ITEM 1
THE FRANCHISOR AND ANY PARENTS, PREDECESSORS AND AFFILIATES

The Franchisor is **Churroholic Franchising, Inc**, referred to as "**we**," "**us**," or "**our**" We also do business under the name "**CHURROHOLIC®**" "**You**" means a person who buys the right to operate a CHURROHOLIC® Restaurant from us If you are a corporation, partnership or other entity, certain provisions of our Franchise Agreement also will apply to your owners This disclosure document will indicate when your owners also are covered by a particular provision

We are a California corporation, formed on August 28, 2017 Our current principal business address is 12602 Hoover Street, Garden Grove, California 92841 Our registered agent for service of process in California is Sky Minh Hoang, 12602 Hoover Street, Garden Grove, California 92841 If we have a separate registered agent for a particular state, it is disclosed in Exhibit "L" We conduct business under our corporate name and under the trade and service marks "CHURROHOLIC®" and associated logos, designs, symbols and trade dress See Item 13

Our Parents, Predecessors and Affiliates

We do not have any parents or predecessors

Our affiliates are

Name	Current Principal Business Address/or Restaurant Location	Formation Date	Formation ~~Place~~State	Business
Churroholic, Inc. ("**Churroholic**")	1019 N Magnolia Street, Unit B, Anaheim, CA 92801 (opened 8/28/17), 552 E Carson Street, Suite 102, Carson, CA 90745-2829 (opened ~~11/27/17~~4/15/26), 15545 Whittier Blvd, Whittier, CA 90603 (opened 4/11/18), and 5802 Firestone Blvd, Unit #104, South Gate, CA 90208 (opened 11/3/18)	09/16/17	CA	Owns Churroholic Restaurants
~~Tea Fusion House, LLC ("**Tea Fusion**")~~	~~1946 N Lakewood Blvd Long Beach, CA 90815~~	~~08/28/12~~	~~CA~~	~~Owns Hiccups Restaurant~~
~~Hiccups Veo Plaza, Inc ("**Veo Plaza**")~~	~~522 E Carson Street, Suite 103, Carson, CA 90745-2829~~	~~06/24/15~~	~~CA~~	~~Owns Hiccups Restaurant~~
~~Hiccups Paramount City Inc ("**Paramount**~~	~~16279 Paramount Blvd Paramount, CA 90723~~	~~07/05/16~~	~~CA~~	~~Owns Hiccups Restaurant~~

Name	Current Principal Business Address/or Restaurant Location	Formation Date	Formation ~~Place~~State	Business
~~City")~~				
~~Sealand Restaurant, Inc ("Sealand")~~	~~1019 N Magnolia Street, Unit C, Anaheim, CA 92801~~	~~07/05/16~~	~~CA~~	~~Owns Hiccups Restaurant~~
~~Hiccups Franchising Corp ("Hiccups")~~	~~12602 Hoover Street, Garden Grove, CA 92841~~	~~08/28/17~~	~~CA~~	~~Plans to franchise the Hiccups Restaurant concept~~
First Source Distribution Center, Inc ("**First Source**")	12602 Hoover Street, Garden Grove, CA 92841	08/18/17	CA	Provides equipment, supplies and inventory items to CHURROHOLIC® and ~~Hiccups~~HICCUPS® franchisees
Hiccups Franchising Corp. ("**Hiccups**")	12602 Hoover Street, Garden Grove, CA 92841	08/28/17	CA	Franchises the HICCUPS® Restaurant and Tea Bars concept

Our affiliate, First Source, sells equipment, supplies and inventory items to our franchisees. Our affiliate, Hiccups, has been offering franchises to operate HICCUPS® Restaurants and HICCUPS® Tea Bars since January 2018. We also have affiliates that own and operate HICCUPS® Restaurants and CHURROHOLIC® Restaurants.

CHURROHOLIC® System.

Our President has expended considerable time and effort in developing a fast casual counter-order/table service restaurant that features a variety of handcrafted churros and churro glazes, as well as other foods and drinks in a casual atmosphere (a "**CHURROHOLIC® Restaurant**" or "**Restaurant**")

CHURROHOLIC® Restaurants operate under the service mark and trade name "**CHURROHOLIC®**" and other associated logos, designs, artwork and trade dress, trademarks, service marks, commercial symbols, and e-names, which have gained and continue to gain public acceptance and goodwill, and may create, use and license additional trademarks, service marks, e-names and commercial symbols in conjunction with the operation of CHURROHOLIC® Restaurants (collectively, the "**Marks**") and under distinctive business formats, methods, procedures, designs, layouts, signs, equipment, menus, recipes, trade dress, standards and specifications, all of which we may improve, further develop or otherwise modify from time to time (the "**System**")

Our Franchise Program.

In this disclosure document we grant, to persons who meet our qualifications and who are willing to undertake the investment and effort, franchises for the right to own and operate a CHURROHOLIC® Restaurant franchise (the "**Franchise**") at a single location acceptable to us CHURROHOLIC® Restaurants operate under the Marks and the System Our current form of Franchise Agreement (the "**Franchise Agreement**") is attached as Exhibit "B "

Our Business

We have been offering franchises for CHURROHOLIC® Restaurants since ~~the issuance date of this disclosure document We are developing a CHURROHOLIC® Restaurant that will open August 28, 2017~~ January 10, 2018. We do not engage in other business activities, and have not offered, and do not currently offer, franchises in other lines of business

Competition

You will be competing with other restaurants, casual restaurants, fast food restaurants, full service restaurants, grocery stores and specialty stores that offer food and food-related products These restaurants and similar businesses may be associated with national or regional chains or may be local independent restaurants and other businesses You also will be competing with other food service outlets that feature products and services that differ from those offered by CHURROHOLIC® Restaurants Your products and services will be offered to the general public, to individual consumers, for on-site consumption, carry out and, if authorized by us, delivery and catering The market for CHURROHOLIC® Restaurants is developed in some areas and developing in other areas, depending on the number of restaurants in the particular area

Regulations

You must comply with all local, state and federal, liquor licensing, health, sanitation and environmental laws that apply to restaurant operations You will also be required to comply with workers' compensation, equal protection and workplace safety laws and regulations, including Title VII, and the ADA

The U S Food and Drug Administration, the U S Department of Agriculture, and state and local health departments administer and enforce laws and regulations that govern food preparation and service and sanitary conditions State and local agencies inspect restaurants to ensure that they comply with these laws and regulations Some states also have laws regulating the handling of food and food products The federal Clean Air Act and various implementing state laws require certain state and local areas to meet national air quality standards limiting emissions of ozone, carbon monoxide and particulate matters, including caps on omissions from commercial food preparation Some areas have also adopted or are considering proposals that would regulate indoor air quality Also, some state and local authorities have 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 transfat contained in a food item

You should consider these laws and regulations when evaluating your purchase of a franchise

ITEM 2
BUSINESS EXPERIENCE

President, Sky Minh Hoang

Sky has been our President since our inception on August 28, 2017 He has also been President of (a) Tea Fusion House LLC ("TFH") since August 30, 2012, (b) Hiccups Veo Plaza, Inc. since June 24, 2015, (c) Hiccups Paramount City, Inc. since July 5, 2016, (d) Sealand Restaurant, Inc. since July 5, 2016, (e) Churroholic since September 12, 2016, (f) Hiccups ~~Franchising~~ since November 20, 2017, and First Source since August 18, 2017 All are located in the greater Los Angeles, California metropolitan area

ITEM 3
LITIGATION

No litigation is required to be disclosed in this Item

ITEM 4
BANKRUPTCY

No bankruptcy is required to be disclosed in this Item

ITEM 5
INITIAL FEES

Initial Franchise Fee

The initial franchise fee is $40,000 We will reduce the Franchise Fee for your second Restaurant to $30,000 For any subsequent Restaurants after the first 2, the initial franchise fee will be reduced to $20,000 You must pay the initial franchise fee in a lump sum when you sign the Franchise Agreement In consideration of this initial franchise fee, we grant you a franchise to operate a Restaurant in a protected Trade Area The initial franchise fee is fully earned and nonrefundable _

Grand Opening Contribution

The Grand Opening Contribution is $7,500 You must pay the Grand Opening Contribution in a lump sum when you sign the Franchise Agreement In consideration of this Grand Opening Contribution, we will pay for your Grand Opening marketing program in accordance with the Grand Opening marketing budget and plan that you and we develop The Grand Opening Contribution is fully earned and nonrefundable

Store Opening Fee

The Store Opening Fee is $15,000 for your first Restaurant For any subsequent Restaurants, the Store Opening Fee will be reduced to $10,000 You must pay the Store Opening Fee in a lump sum when you sign the Franchise Agreement In consideration of this Store Opening Fee, we will send some of our training staff to your Restaurant's grand opening to ensure that our quality control standards are met The Store Opening Fee is fully earned and nonrefundable _

Opening Inventory

The cost of your initial inventory that must be purchased from us or our affiliate ranges from $8,000 to $16,000 This inventory includes paper goods, sanitary wear, utensils, sauces, seasonings, syrups and teas

Furniture, Fixtures and Equipment

All of the furniture, fixtures and equipment to open your Restaurant must be purchased from us or our affiliate The cost of the equipment ranges from $75,000 to $100,000

Purchase of Company-Owned Restaurants

Our affiliates may be willing to sell their existing Restaurants at a price mutually agreed upon If you want to buy an existing Restaurant, you will pay us the negotiated purchase price plus the Initial Franchise Fee and the Store Opening Fee Some of these Restaurants have been opened, or may be open for, less than a year (see Item 1)

ITEM 6
OTHER FEES

Name of Fee [1]	Amount	Due Date	Remarks
Royalty	6% of Gross Sales[2] per week ("**Report Period**"[3])	Payable on Payment Day [4] which is currently Wednesday of each week	We may require you to pay by electronic transfer
Marketing Fund	Up to 4% of Gross Sales[2] per week, currently 2%	Payable on Payment Day [4] which is currently Wednesday of each week	We may require you to pay by electronic transfer
Local Advertising Expenditure	At least 4% of Gross Sales[2]	Payable as incurred	Paid to vendors of approved forms of local advertising
Local Co-op Fee	Amount determined by local co-op, not to exceed 2% of Gross Sales[2]	Payable monthly or as otherwise required by any co-op	Payable only if a local marketing co-op is established in your market area, in which case your local advertising expenditure may be satisfied by the Local Co-op Fee
Training Fee	$1,000 per person	Payable as incurred	Payable only if more than 3 people attend the initial training
Additional Training Fee	$500 per trainer plus out of pocket expenses	Payable as incurred	Payable only if you request and we provide additional training
Periodic Training Fee	$500 per person plus out of pocket expenses	Payable as incurred	Payable only if we determine you require refresher training
Manual Replacement Fee	$500	Payable as incurred	Payable only if we provide you with a printed copy of the Manual and it is lost, destroyed or significantly damaged
Supplier Evaluation Fee	Not more than $5,000	Payable as incurred	Payable only if you propose a new supplier of Restaurant Materials or Operating Assets
Transfer	50% of our then-current franchise fee, 25% of our then-current franchise fee if the transfer is to an existing	Prior to consummation of transfer	Payable when the Franchise Agreement or a controlling interest in you is transferred

Name of Fee [1]	Amount	Due Date	Remarks
	franchisee		
Successor (Renewal) Franchise Fee	10% of our then-current franchise fee	Upon electing to obtain a Successor Franchise Agreement	Payable if you elect to acquire a successor franchise upon expiration of your current Franchise Agreement You must satisfy additional conditions to renew You do not receive any additional services from us, you only acquire the right to operate the Restaurant at its existing premises for a 10-year successor term pursuant to the terms and conditions of our then-current form of franchise agreement You must give us written notice at least 3 months prior to expiration of the Franchise Agreement
Relocation Fee	10% of our then-current franchise fee	Payable as incurred	Payable only if we consent to you relocating your Restaurant
Audit	$175 per hour plus our out of pocket cost of inspection or audit including travel	10 days after billing	Payable only if you fail to furnish reports or supporting records, or required information is not accurate and your Gross Sales are understated by 5% or more, or Royalties or advertising requirements are underpaid by 5% or more
Interest	15% per year	10 days after billing	Payable on all overdue amounts
Insufficient Funds Charge	$50[5]	On demand	Payable on all dishonored checks or if you do not have sufficient funds in your account when we attempt an electronic funds withdrawal
Management Fee	$300 per day plus out-of-pocket expenses	As agreed	Payable during period that our appointed manager manages the Restaurant upon your death or disability or during any period that your Restaurant is not being managed or operated in compliance with our System standards
Costs and Attorneys' Fees	Will vary under circumstances	As incurred	Reimbursement to us for all costs and expenses incurred if we prevail in any proceeding regarding enforcement of the terms of any agreement
Indemnification	Will vary under circumstances	As incurred	You have to reimburse us if we are held liable for claims arising from your Restaurant's operations

Explanatory Notes

1 All fees are imposed by and payable to us except the Local Co-op Fee which will be imposed by and payable to any local marketing co-op established for your Trade Area All fees are uniformly imposed on all franchisees and are non-refundable

2 "**Gross Sales**" are the total actual gross charges for all products (food and non-food) and services sold to customers of the Restaurant for cash or credit, whether these sales are made at or from the Restaurant Site, or any other location, but excluding coupon discounts required by us All employee discounted meals and owner complimentary meals provided by you must be included in the definition of gross sales at the full retail price charged by you to customers for such meals Provided, however, that any amounts that you collect and transmit to state or local authorities as sales, use or other similar taxes are excluded from the definition of Gross Sales

3 As of the date of this disclosure document, the Report Period is weekly

4 The Payment Day is currently the Wednesday of each week for the Report Period that ended the prior Wednesday

5 The highest interest rate allowed by law in California is 10% per annum

ITEM 7
ESTIMATED INITIAL INVESTMENT

YOUR ESTIMATED INITIAL INVESTMENT					
Expenditures (1)	**Estimated Amount or Estimated Low-High Range**	**When Payable**	**Method Of Payment**	**Whether Refundable**	**To Whom Paid**
Initial Franchise Fee (2)	$40,000	Payable on signing Franchise Agreement	Lump Sum	No	Us
Grand Opening Contribution	$7,500	Payable on signing Franchise Agreement	Lump Sum	No	Us
Store Opening Fee (3)	$15,000	Payable on signing Franchise Agreement	Lump Sum	No	Us
Rent (3 months) (4)	$18,000 - $30,000	As incurred	As Agreed	No	Third Parties
Lease, Utility and Security Deposits (5)	$15,000 - $25,000	As incurred	Lump Sum	No	Third Parties
Leasehold Improvements (6)	$180,000 - $250,000	As incurred	As Agreed	No	Third Parties
Signage (7)	$5,000 - $15,000	As incurred	As Agreed	No	Third Parties
Furniture, Fixtures and Equipment (8)	$75,000 - $100,000	As incurred	Lump Sum	No	Third Parties
Point-Of-Sale Equipment and Computer (9)	$10,000 - $15,000	As incurred	As Agreed	No	Third Parties
Office Equipment and Supplies (10)	$2,000 - $5,000	As incurred	As Agreed	No	Third Parties
Business Licenses and	$10,000 - $20,000	As incurred	Lump Sum	No	Third

YOUR ESTIMATED INITIAL INVESTMENT					
Expenditures [1]	**Estimated Amount or Estimated Low-High Range**	**When Payable**	**Method Of Payment**	**Whether Refundable**	**To Whom Paid**
Permits [11]					Parties
Professional Fees [12]	$5,000 - $15,000	As incurred	As Agreed	No	Third Parties
Initial Inventory [13]	$10,000 - $20,000	As incurred	Lump Sum	No	Third Parties
Insurance Annual Premium[14]	$5,000 - $10,000	As incurred	Lump Sum	No	Third Parties
Training Expenses [15]	$5,000 - $10,000	As incurred	As Agreed	No	Third Parties
Additional Funds [16]	$75,000 - $150,000	As incurred	As Agreed	No	Third Parties
TOTAL ESTIMATED INITIAL INVESTMENT (EXCLUDING REAL ESTATE PURCHASE COSTS) [16] [17]	**$477,500 - $727,500**				

Caution These figures are estimates only We cannot guarantee that you will not have additional expenses in starting your business The estimates expenses vary due to numerous factors outside of our control See the notes below for more information

Explanatory Notes

1 None of the fees payable to us are refundable

2 We will reduce the initial franchise fee to $30,000 for your second Restaurant and to $20,000 for each subsequent Restaurant after the second one

3 We will reduce your Store Opening Fee to $10,000 for your second and each subsequent Restaurant

4 The Restaurant's location (the "**Site**") typically will be located at a Site located within a regional or lifestyle mall or strip/shopping center that is close to retail or other commercial area These estimates assume that the Restaurant is located in a retail shopping center or mall The average size of a Restaurant is approximately 1,200 to 1,500 square feet We estimate that the rental range would be approximately $5 to $12 50 per square foot plus Triple Net charges The initial investment assumes you will rent If you purchase the premises, your initial expenses will dramatically increase

5 The amount of the rent and security deposit will depend on the size, condition and location of the Site and the demand for the Site among prospective lessees We estimate that the security deposit will equal one month's rent Some Restaurants may also have to pay government imposed impact and permit fees depending on the site They vary considerably due to numerous factors and we are unable to estimate them

6 Build-out or renovation of your Site to conform to our standards will include paint, tile work, lighting, salt walls, drywall partitions, counters and the like The cost of these improvements, which include floor covering, wall treatment, counters, ceilings, painting, window coverings, plumbing, electrical, carpentry and related work and contractor's fees, will vary significantly depending on the condition, location and size of the Site, the demand for the Site among prospective lessees, contractor and labor costs and any construction or other allowances granted by the landlord after negotiations and will be significantly more if you select a Site with no pre-existing improvements The low estimate assumes that your Restaurant will be located in an existing restaurant space with certain equipment and infrastructure that can be repurposed to suit your needs If you lease your Site, you may be able to negotiate an allowance to cover a portion of these build-out and leasehold improvements A landlord allowance would reduce the estimated cost that you could expect to incur for leasehold improvements

7 The cost of signage varies depending on the size and type of signs, the size and location of the Restaurant, and any local and development requirements If local law permits, you must display a curb or marquee sign that complies with our specifications and standards If we deem the signage that local ordinances allow as inadequate for our brand, we reserve the right to require you to seek variances to those ordinances as necessary

8 This item may include tables and booths, sinks, refrigerators, ovens, ventilation systems, display cases, stools, chairs, utensils, a phone system, a security system, a CCTV system, a desk, filing cabinets and related office supplies for a Restaurant We require you to sign our then current form of Conditional Assignment of Telephone Numbers and Listings in the form attached as Exhibit "C " The low estimate assumes that your Restaurant will be located in an existing restaurant space with certain equipment and infrastructure that can be repurposed to suit your needs

9 We currently require you to purchase the Clover Station Bundle POS System (the "**POS System**"), a personal computer and printer The POS System includes the back of the house server, remote terminals, remote printers, kitchen display system, cash drawers, power supplies, hubs, related cable requirements, POS software and integrated credit card software The cost of the POS System is estimated to range from $10,000 to $15,000 This estimate does not include any monthly service fees that, but they could range from $ 200 to $500 per month We may periodically modify our standards and specifications for POS and other computer hardware and software You must comply with such changes, at your expense

10 Standard office equipment and supplies

11 Includes expenses incurred to obtain business licenses and building permits

12 This estimate is for the cost to employ an attorney, an accountant and other consultants to assist you in establishing your Restaurant and reviewing the franchise documentation These fees may vary from location to location depending upon the prevailing rate of attorneys', accountants' and consultants' fees

13 You must purchase an opening inventory of supplies, which includes smallwares, paper goods, and in-store retail merchandise as described in the Manual The initial inventory also include those products that you must purchase from us ranging from $8,000 to $16,000

14.

15. ~~14~~ We are establishing the minimums but we urge you to consult with your own insurance carrier for high amounts or additional coverage The exact costs depend on a number of factors including the experience of the carrier, your history with the carrier, the geographical area in which the business is located, etc

16. ~~15~~ You are responsible for all compensation, travel, lodging and living expenses which you and your trainees incur in connection with the initial training

17. ~~16~~ This item estimates your initial start-up expenses This estimate includes payroll costs for your Restaurant staff These figures are estimates, and we cannot guarantee that you will not have additional expenses starting the business Your costs will depend on factors such as how much you follow our methods and procedures, your management skill, experience and business acumen, local economic conditions, the local market for your products and services, the prevailing wage rate, competition, and the sales level reached during the initial period You should review these estimates carefully with an accountant or other business advisor before making any decision to buy a franchise

18. ~~17~~ We relied on our President's experience in the restaurant business to compile these estimates You should review these figures carefully with a business advisor before making any decision to purchase the franchise The total estimated start-up costs may exceed the high range depending upon the location, site conditions, local construction costs, local governmental fees and local market conditions, and other factors

19. ~~18~~ We or our affiliates may be willing to sell one of the existing Company-owned Restaurants If you meet our qualifications, we may finance a portion of the selling price (see Item 10) You will not incur many of these costs if you are purchasing an existing Company-owned Restaurant since the Restaurant is already open and developed We will transfer the assets pursuant to a Bill of Sale, the form of which is attached as Exhibit "J"

You will not incur most of these costs if you are renewing your franchise (i e , acquiring a successor franchise) because your Restaurant is already open However, you must make certain upgrades, modifications and improvements at your Restaurant to meet our current standards Your costs will depend on your Restaurant's current condition

ITEM 8
RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

The following table summarizes the approximate percentages of your purchases of equipment and supplies through sourcing restrictions, based on the nature of the restriction The source for virtually all of your purchases is restricted in some way

Purchases from Us

The cost of furniture, fixtures, equipment and inventory that must be purchased from us or our affiliate currently represents 80% of the cost to establish a franchise and 20% of the total operating expenses thereafter However, we reserve the right to be the sole or one of the approved suppliers for any products or services to be utilized in the operation of your Restaurant In the fiscal year ended December 31, ~~2016, neither we nor any of our affiliates received any income from the sale of items to franchisees However, we reserve the right to do so in the future~~ 2018, we received $384,750.95 from required purchases by our franchisees or 35.5% of our total Revenues of $1,083,879 as reflected in our audited financial statements. In the fiscal year ended December 31, 2018, our affiliate, First Source, received $246,111.20 from required purchases by our franchisees.

Approved Suppliers

In order to maintain the quality of the goods and services sold by CHURROHOLIC® Restaurants and the reputation of the CHURROHOLIC® Restaurants franchise network, you are obligated to purchase all food and beverage products, supplies, equipment and other items you use and sell at and from your Restaurant from our approved suppliers These products and supplies may contain our proprietary marks and information or advertising for franchisees You must not purchase such products or services from anyone other than our designated or approved sources

We do not expressly state or imply any warranties with respect to any products, goods or services we supply to you or recommend for your use Required purchases from approved suppliers, including us, represents approximately 20% of your total purchases in connection with the establishment of your Restaurant and approximately 80% of your overall purchases in operating the Restaurant We have not received any income from the sale of items to franchisees, but we reserve the right to do so in the future

There are no suppliers in which any of our officers own an interest, except our affiliate, First Source

Standards and Specifications

You must operate the Restaurant according to our System Standards System Standards may regulate, among other things, design, layout, decor, artwork, music, appearance and lighting, periodic maintenance, cleaning and sanitation, periodic remodeling, replacement of obsolete or worn-out leasehold improvements, fixtures, furnishings, equipment and signs, periodic painting, and use of interior and exterior signs, emblems, lettering and logos and illumination, the types, models and brands of required fixtures, furnishings, equipment, signs, software, POS systems, materials, and supplies (including janitorial and cleaning supplies), required or authorized products and product categories including for all food and beverage items and portions devoted to each supplier of products and other merchandise for sale to be used in operating the Restaurant, required or authorized products and product categories and designated or approved suppliers of such items (which may be limited to or include us or our affiliates) We do not make any express or implied warranties with respect to any products or goods we recommend for your use Our standards and specifications may impose minimum requirements for quality, taste, cost, delivery, performance, design and appearance, delivery capabilities, financing terms, and ability to service our franchise system as a whole We will notify you in our Manual or other communications of our standards and specifications and/or names of approved suppliers Required purchases, according to our specifications and standards, represent less than 1% of your total purchases in connection with the establishment of your Restaurant and less than 1% of your overall purchases in operating the Restaurant Purchases of approved products and services from us or our approved suppliers also meet our standards and specifications Changes of Suppliers.

If you want to use any item that does not comply with System Standards or is to be purchased from a supplier that has not yet been approved, you must first submit sufficient information, specifications and samples for our determination whether the item complies with System Standards or the supplier meets approved supplier criteria We will, within a reasonable time, which is generally within 30 days as long as we have the opportunity to fully evaluate such supplier, notify you of our decision We currently charge no fee for evaluating alternative suppliers, but reserve the right to do so We may charge a fee for evaluating alternative suppliers of not more than $5,000 We will, from time to time, establish procedures for submitting requests for approval of items and suppliers and may impose limits on the number of approved items and suppliers Approval of a supplier may be conditioned on requirements relating to product quality, frequency of delivery, standards of service and concentration of purchases with one or more suppliers in order to obtain better prices and service and may be temporary, pending our further evaluation of the supplier

Rebates

We have negotiated with certain suppliers for us to receive rebates of 1% to 2% of your purchases from them We may negotiate with other suppliers and manufacturers to receive rebates on certain items you must purchase on these or other terms During the fiscal year ended December 31, ~~2017,~~2018, we did not receive rebates on purchases made by franchisees

Restaurant Development

We require Restaurants to be constructed or remodeled in accordance with our specifications The Franchise Agreement requires that you purchase or lease and use only such equipment and supplies as we may specify or approve We also will furnish you with mandatory specifications and layouts for Restaurants, including requirements for dimensions, design, color scheme, image, interior layout, decor, and Operating Assets which include fixtures, equipment, signs, furnishings and color schemes These plans might not reflect the requirements of any federal, state or local law, code or regulation, including those arising under the Americans With Disabilities Act (the "**ADA**") or similar rules governing public accommodations for persons with disabilities It is your responsibility to prepare a site survey and all required construction plans and specifications to suit the premises for the Restaurant (the "**Site**") and to make sure that these plans and specifications comply with the ADA and similar rules governing public accommodations for persons with disabilities, other applicable ordinances, building codes, permit requirements and lease requirements and restrictions You are obligated, at your expense, to have your architect prepare all required construction plans and specifications, based on our design drawings and specifications, to suit the shape and dimensions of the Site and to ensure that such plans and specifications comply with applicable ordinances, building codes and permit requirements and with lease requirements and restrictions We may require you to use, at your expense, construction contractors designated or approved by us You must send us construction plans and specifications for review before you begin constructing the Restaurant and all revised or "as-built" plans and specifications during construction Because our review is limited to ensuring your compliance with our design requirements, we will not assess compliance with federal, state or local laws and regulations, including the ADA, OSHA and state and local environmental requirements and building codes, as compliance with these laws is your responsibility We may inspect the Site while you are developing the Restaurant

Computer Hardware and Software

You must purchase and use the Clover Station Bundle POS System, as well as all modifications, enhancements and revisions to this system from First Data, 5565 Glenridge Connector NE, Suite 2000, Atlanta, Georgia 30342, telephone number 800 735 3352 (See Item 11 for more information) We may periodically modify our standards and specifications for POS and other computer hardware and software You must comply with such changes, at your expense We estimate that the cost of these items is less than 1% of your total costs to open your CHURROHOLIC® Restaurant and less than 1% of the total cost to operate it

Site

The Site for your Restaurant is subject to our acceptance The Site must meet our criteria for demographic characteristics, traffic patterns, parking, character of neighborhood, competition from and proximity to other businesses and other Restaurants, the nature of other businesses in proximity to the Site and other commercial characteristics and the size, appearance and other physical characteristics of the proposed Site We also must accept the lease or sublease (and any renewals or modifications) for the Site of your Restaurant prior to your signing them The franchisee and tenant must be the same You must deliver a copy of the signed lease to us within 15 days after it is signed Our acceptance of the lease indicates only that we believe that its terms fall within the acceptable criteria we have established as of the time of our acceptance

If you lease the Site from a third party, or purchase the Site, we first must accept the lease, financing and/or purchase documents that you will sign We may require that they contain certain provisions that are designed to protect our rights You and your lessor and, if applicable, any lender for the Site also must sign our then current form of Collateral Assignment and Assumption of Lease and Lease Rider (the "**Lease Rider**") which is attached to this disclosure document as Exhibit "D" The Lease Rider generally protects our rights under the Franchise Agreement, our ability to possess the Site if you violate any of your obligations to us, and your right to occupy the Site, and operate the Restaurant without interference by lenders and mortgage holders Any person who is related to or affiliated with you or one of your owners, directors, officers or other principals, and who plans to lease the Site to you or own or obtain financing for the Site, must agree to be bound by these provisions

Under the Lease Rider, we can take possession of the Restaurant's Site if you violate the lease or any obligation to us You still will be responsible for all lease obligations covering the time before we take over If you and the landlord for the Site are or become related in ownership or control, and we eventually take over the Site, any lease will be amended to be the same length as the Franchise Agreement, to be consistent with commercially reasonable "triple-net" leases being signed in your metropolitan area and to reflect the Site's fair market rental value in your metropolitan area

If you acquire a Company-Owned Restaurant, you must sublease the Site from us The form of Sublease is attached as Exhibit "K" You will pay all rent and related occupancy charges directly to the landlord

Insurance

In addition to the purchases or leases described above, currently you must obtain and maintain, at your own expense, comprehensive general liability, business property, business interruption insurance and any other insurances required by local, state or federal laws, or by your landlord All such insurance must be purchased from an insurance carrier with a minimum rating of "A-" by AM Best, and must contain the minimum liability coverage (on an occurrence and aggregate basis) we prescribe from time to time We may periodically increase the amounts of coverage required under these insurance policies and/or require different or additional insurance coverages (including reasonable excess liability insurance) at any time to reflect inflation, identification of new risks, changes in law or standards of liability, higher damage awards or other relevant changes in circumstances These insurance policies must name us and any affiliates we designate as additional named insureds and provide for 30 days' prior written notice to us of a policy's material modification, cancellation or expiration You routinely must furnish us copies of your Certificates of Insurance or other evidence of your maintaining this insurance coverage and paying premiums The cost of this coverage will vary depending on the insurance carrier's charges, terms of payment and your history

Miscellaneous

Except as described above, we and our affiliates do not currently derive revenue or other material consideration as a result of required purchases or leases There currently are no purchasing or distribution cooperatives We do negotiate purchase arrangements with suppliers for the benefit of franchisees and we may derive revenue or other material consideration as a result of required purchases or leases We do not provide material benefits (for example, renewal or granting additional franchises) to a franchisee based on a franchisee's purchase of particular products or services or 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	Item in Disclosure Document
(a) Site selection and acquisition/lease	Franchise Agreement ("**FA**") Section 3, Collateral Assignment and Assumption of Lease, Sublease	Items 7, 11 and 12
(b) Pre-opening purchases/leases	FA Sections 3 and 4, Collateral Assignment and Assumption of Lease	Items 5, 6, 7, 8, 11 and 16
(c) Site development and other pre-opening requirements	FA Sections 4, 5 and 6	Items 6, 7 and 11
(d) Initial and ongoing training	FA Section 6	Item 11
(e) Opening	FA Sections 4 3 and 4 4	Item 11
(f) Fees	FA Sections 5, 6, 10 13, 11 1, 11 6, 11 7, 14 3, 15 5 and 19 11	Items 5, 6 and 7
(g) Compliance with standards and policies/Operating Manual	FA Sections 2 1, 3, 4, 6, 7, 8, 10, and 12	Item 11
(h) Trademarks and proprietary information	FA Sections 7 and 8, Confidentiality, Noncompetition and Nonsolicitation Agreement ("**Confidentiality Agreement**")	Items 13 and 14
(i) Restrictions on products/services offered	FA Sections 4 and 10	Items 11 and 16
(j) Warranty and customer service requirements	None	None
(k) Territorial development and sales quotas	FA Sections 3 & 4	Item 12
(l) On-going product/service purchases	FA Sections 4 and 10	Item 8
(m) Maintenance, appearance and remodeling requirements	FA Sections 4, 10 7 and 15 1	Items 11 and 17
(n) Insurance	FA Sections 3 2, 3 3, 4 3 and 10 19	Items 7 and 8
(o) Advertising	FA Sections 4 4 and 11	Items 6, 7 and 11

Obligation	Section in Agreement	Item in Disclosure Document
(p) Indemnification	FA Section 18 4, Section 3 of Collateral Assignment and Assumption of Lease, Section 4 of Conditional Assignment of Telephone Numbers and Listings Agreement	Item 6
(q) Owner's participation/ management/staffing	FA Sections 6, 9, 10 16 and 10 17, Confidentiality Agreement	Items 11 and 15
(r) Records and reports	FA Sections 10 and 12	Item 11
(s) Inspections and audits	FA Section 13	Items 6 and 11
(t) Transfer	FA Section 14	Items 6 and 17
(u) Renewal	FA Section 15	Items 6 and 17
(v) Post-termination obligations	FA Section 17, Confidentiality Agreement	Item 17
(w) Non-competition covenants	FA Sections 8 2, 8 3, 9, 10 17, 14 3 and 17 6, Confidentiality Agreement	Item 17
(x) Dispute resolution	FA Sections 19 3, 19 5-19 14 and 20, Section 11 of Collateral Assignment and Assumption of Lease, Section 9 of Conditional Assignment of Telephone Numbers and Listings Agreement, Confidentiality Agreement	Item 17

ITEM 10
FINANCING

At our option, we, or our affiliates, may finance up to 40% of the purchase price of an existing Company-owned Restaurant only, if you meet certain credit and other requirements The following chart summarizes the terms of such financing, but the actual terms and conditions will be set forth in a Promissory Note and Security Agreement (the "**Note**") and such other documents as you and we agree upon The form of Note is attached as Exhibit "I "

Topic	Provisions	Explanatory Notes
Item Financed	Purchase Price of an existing Company-owned Restaurant	Up to 40%
Source of Financing	Us or our affiliates	
Amount Financed	Up to 40% of the Purchase Price	
Term	36 months	
APR%	10%	
Installment Payment	Varies, depending on term and amount financed	
Prepayment Penalty	None	Can be prepaid at any time

Topic	Provisions	Explanatory Notes
Security Required	All furniture, fixtures, equipment, accessories, inventory, licenses, permits, goods, materials, supplies, accounts, general intangibles, and all other assets, including, without limitation, the equipment and customer contracts, used in the operation of the CHURROHOLIC® Restaurant being purchased	Per Security Agreement attached as Exhibit "I "
Liability Upon Default	Default interest is highest allowed by law, entire principal balance immediately due and payable, collection costs, material breach of Franchise Agreement	A violation of the Franchise Agreement is a default under the Note and vice versa
Loss of Legal Rights on Default	You waive presentment, demand, protest and notice of demand and dishonor, protest and non-payment and all other legal or equitable defenses you may have	
Governing Law	The law of the State in which the Restaurant is located	
Assignment	We may, but have no plans to, assign or discount the Note to third parties	

If you acquire a Company-owned Restaurant, we may require you to sublease the Restaurant premises from us If so, you will need to sign and deliver to us a sublease in which you will become liable for all obligations under the underlying lease agreement our affiliate has with the landlord of the premises for (the "**Prime Lease**") You will be fully liable and responsible for compliance with all terms and conditions of the Prime Lease and must indemnify and defend us from all payments and other obligations under the Prime Lease A copy of the form of sublease is attached as Exhibit "K " You will be required to replace the security deposit we have made with the landlord which we estimate will range from $20,000-$30,000 (which equals 2 months of estimated rent) You will also be required to pay monthly rental payments directly to the landlord in an amount estimated to range from $10,000-$15,000 per month There is no prepayment penalty Your owners must personally guarantee all obligations to us under the sublease If you violate the sublease, we may evict you from the premises, accelerate amounts due and terminate the Franchise Agreement Furthermore, any breach or default under the Franchise Agreement will constitute a breach of the sublease There are no loss of legal rights of the result of a default

Except as described above (a) neither we nor any affiliate offers direct or indirect financing to you, and (b) we do not guarantee any note, lease or other obligation of yours

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

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

Pre-Opening Obligations Before you open the Restaurant, we will

1 Accept or reject a site you propose for the Restaurant within 30 days after we receive the complete site report and other materials we request You must identify a potential suitable site that meets our then-current criteria for CHURROHOLIC® Restaurants within 90 days of the date of your Franchise Agreement The Site must meet our criteria for demographic characteristics, traffic patterns, parking, character of neighborhood, competition from and proximity to other businesses and other CHURROHOLIC® Restaurants, the nature of other businesses in proximity to the Site and other commercial characteristics and the size, appearance and other physical characteristics of the proposed Site (Franchise Agreement - Section 3 1)

2 Furnish you with mandatory and suggested specifications and layouts for a CHURROHOLIC® Restaurant, including requirements for dimensions, color scheme, image, interior layout, decor, and Operating Assets which include fixtures, equipment, signs, furnishings and color scheme (Franchise Agreement - Section 4 1(a))

3 Give you a list of suppliers for certain development services and opening assets signage, fixtures, inventory, etc, approve architects to prepare (at your expense) all required construction plans based on our design drawings and specifications, approve construction contractors to construct your Restaurant (at your expense), review all construction plans and specifications before you begin constructing the Restaurant, and at the points of 50% and 95% completion and all revised or "as-built" plans and specifications during construction You must give us notice of commencement of construction of your Restaurant within 14 days of its beginning date and progress reports at least every other week Construction of the Restaurant must be completed within 180 days of our Site acceptance We will provide specifications on decor of your Restaurant We have the right to change and/or upgrade decor (Franchise Agreement - Sections 4 1 and 4 2)

4 Identify the fixtures, furnishings, equipment (including computer hardware and software), food and beverage products, retail merchandise, materials and supplies necessary for the Restaurant to begin operations, the minimum standards and specifications that must be satisfied and the suppliers from whom these items may be purchased or leased (including us and/or our affiliates) (Franchise Agreement - Section 10 12)

5 Loan you one copy of our Manuals, via electronic access or otherwise (Franchise Agreement - Section 10 1)

6 Provide you and 2 other persons (or up to 3 of your owners if you are a Business Entity) with Initial Training We charge a fee of up to $1,000 for each person over the first 3 that attends the initial training at any time (Franchise Agreement – Section 6 1)

7 Assist you in your planning and implementing the grand opening advertising and promotional program for the Restaurant (Franchise Agreement - Section 4 4)

Time To Opening

We estimate that there will be an interval of 1 year between the signing of the Franchise Agreement and the opening of the Restaurant, but the interval may vary based upon such factors as the location and condition of the Site, the construction schedule for the Restaurant, the extent to which an existing location must be upgraded or remodeled, the delivery schedule for equipment and supplies, delays in securing financing arrangements and completing training and your compliance with local laws and regulations You may not open the Restaurant for business until (1) we approve the Restaurant developed according to our specifications and standards, (2) pre-opening training has been completed to our satisfaction and an Opening Team has been scheduled to supervise the opening of your Restaurant, (3) the initial franchise fee and all other amounts then due to us have been paid, (4) we have been furnished with copies of all required insurance policies, or such other evidence of insurance coverage and payment of premiums as we request, and (5) we have received signed counterparts of all required documents pertaining to your acquisition of the Site You must open the Restaurant for business within 12 months following signing the Franchise Agreement and within 15 days after we notify you that the Restaurant is ready to open (Franchise Agreement - Section 4 3)

Post-Opening Obligations

During your operation of the Restaurant, we will

1 We, at our cost, will provide you with the services of up to 4 persons (the "**Opening Team**") for a period of 6 days for supervisory assistance and guidance in connection with the opening and initial operation of your CHURROHOLIC® Restaurant We have the right to determine the time or times at which the Opening Team will be available to you, but will not do so until after your receipt of a certificate of occupancy for your CHURROHOLIC® Restaurant and the delivery of a copy of such certificate to us In the event that you need and request additional opening assistance, and we approve such request, you will pay all costs and expenses of the Opening Team, for as long it assists at your CHURROHOLIC® Restaurant The Opening Team will be selected by us and its personnel are subject to change or removal by us in our sole discretion (Section 6 2)

2 Advise you from time to time regarding the operation of the Restaurant based on reports you submit or inspections we make In addition, we will provide guidance to you on standards, specifications and operating procedures and methods utilized by Restaurants, purchasing required Operating Assets, products and supplies and arranging for their distribution to you, recipes, food preparation methods, and menu items, use of suppliers, approved products, volume buying, advertising and marketing materials and programs, team member training, and administrative, bookkeeping and accounting procedures Such guidance may include food and beverage cost tools and other financial information that we periodically prepare or compile and share with franchisees Any such information is provided without warranty as to its completeness or accuracy, as there may be occasional errors or variations among unit measurements or market conditions that can affect the numbers or projections Ongoing guidance will, at our discretion, be furnished in our Manual, bulletins or other written materials, by electronic media, and/or during telephone consultations and/or consultations at our office or the Restaurant (Franchise Agreement - Section 6 5)

3 Loan you one copy of the Manuals, consisting of such materials (which may be furnished in various electronic formats, including via website access, computer software and written materials) that we generally furnish to franchisees for use in operating Restaurants We may loan the Manuals to you with print versions or only electronically The Manuals contain mandatory

and suggested specifications, standards, operating procedures and rules (**"System Standards"**) that we prescribe from time to time for operation of a CHURROHOLIC® Restaurant and information relating to your other obligations under the Franchise Agreement and related agreements The Manuals may be modified, updated and revised periodically to reflect changes in System Standards (Franchise Agreement - Section 10 1)

4 Issue, modify and supplement System Standards for CHURROHOLIC® Restaurants We may periodically modify System Standards, which may accommodate regional or local variations as we determine, and these modifications may obligate you to invest additional capital in the Restaurant and/or incur higher operating costs However, these modifications will not alter your fundamental status and rights under the Agreement (Franchise Agreement -Section 10 3)

5 Inspect and observe, photograph and videotape the operations of the Restaurant, remove samples of any products, materials or supplies for testing and analysis, interview the Restaurant's customers and personnel, and inspect and copy any camera systems, books, records and documents relating to the operation of the Restaurant from time to time to assist you in complying with the Franchise Agreement and all System Standards (Franchise Agreement - Section 13 1)

Marketing Fund

We have established and administer a Marketing Fund for the creation and development of marketing, advertising and related programs and materials on a system-wide basis You must contribute amounts we prescribe from time to time, but not more than 4% _The contribution amount is currently 2% of your Gross Sales We direct all programs financed by the Marketing Fund, with sole discretion over the creative concepts, materials and endorsements used and the geographic, market and media placement and allocation of the programs The Marketing Fund will be used to pay the costs of preparing and producing video, audio and written and digital advertising materials, developing, enhancing and maintaining an electronic commerce website including online ordering, menu layout and design, administering system-wide, regional and multi-regional advertising programs, including, without limitation, purchasing direct mail, internet, social media and other media advertising and employing advertising, promotion and marketing agencies, vendors providing marketing services, development, implementation and maintenance of online asset management tools, search engine optimization, development, implementation and maintenance of a loyalty program, marketing and advertising training programs and materials, and supporting public relations, market research and other advertising, promotion and marketing activities We maintain ownership of all market research, designs, copyrights, and other data, materials and property financed through the Marketing Fund The Marketing Fund will periodically furnish you with samples of advertising, marketing and promotional formats and materials at no cost Multiple copies of such materials will be furnished to you at our direct cost of producing them, plus any related shipping, handling and storage charges We maintain administrative rights and access to any National Social Media platforms including but not limited to Facebook & Twitter (Franchise Agreement Sections 11 1 and 11 2)

The Marketing Fund is not our asset Although the Marketing Fund is not a trust, we will hold all Marketing Fund contributions for the benefit of the contributors and use the contributions only for the purposes as stated in this paragraph We do not owe any fiduciary obligation to the franchisees for administering the Marketing Fund or for any other reason The Marketing Fund is accounted for separately from our other funds and will not be used to defray any of our general operating expenses, except for such reasonable salaries, administrative costs, travel expenses and overhead, including rent and utilities, as we may incur in activities related to the administration of the Marketing Fund and its programs, including, without limitation, conducting market research, preparing advertising, promotion and marketing materials and collecting and accounting for contributions to the Marketing Fund All interest earned on monies contributed to the Marketing Fund will be used to pay advertising costs before other assets of the Marketing Fund are expended We may spend, on behalf of the Marketing Fund, in any fiscal year, an amount greater or less than the aggregate contribution of all Restaurants to the Marketing Fund in that year The Marketing Fund may borrow from us or others to cover deficits or invest any surplus for future use If we lend money to the Marketing Fund, we may charge interest at an annual rate 1% greater than the rates we pay our lenders We will prepare an unaudited annual statement of monies collected and costs incurred by the Marketing Fund and will furnish a copy of the statement to you upon written request We have the right to cause the Marketing Fund to be incorporated or operated through a separate entity at such time as we deem appropriate, and the successor entity will have all of the rights and duties described in the Franchise Agreement (Franchise Agreement – Section 11 3)

The Marketing Fund is intended to maximize recognition of the Marks and patronage of CHURROHOLIC® Restaurants Although we will endeavor to utilize the Marketing Fund to develop advertising and marketing materials and programs and to place advertising that will benefit all CHURROHOLIC® Restaurants, we undertake no obligation to ensure that expenditures by the Marketing Fund in or affecting any geographic area are proportionate or equivalent to the contributions to the Marketing Fund by CHURROHOLIC® Restaurants operating in that geographic area or that any CHURROHOLIC® Restaurants will benefit directly or in proportion to its contribution to the Marketing Fund from the development of advertising and marketing materials or the placement of advertising We assume no other direct or indirect liability or obligation to you with respect to collecting amounts due to, or maintaining, directing or administering, the Marketing Fund (Franchise Agreement – Section 11 4)

Franchisee contributions to the Marketing Fund will generally be on a uniform basis, but we reserve the right to defer or reduce contributions of a franchisee and, upon 30 days' prior written notice to you, to reduce or suspend contributions to and operations of the Marketing Fund for one or more periods of any length and to terminate (and, if terminated, to reinstate) the Marketing Fund If the Marketing Fund is terminated, all unspent monies on the date of termination will be distributed to franchisees in proportion to their respective contributions to the Marketing Fund during the preceding 12 months We and our affiliates will contribute to the Marketing Fund on the same basis as franchise owners for any CHURROHOLIC® Restaurants they own and operate (Franchise Agreement - Section 11 1)

The Franchise Agreement authorizes us to spend in any fiscal year an amount greater or less than the aggregate contributions of CHURROHOLIC® Restaurants to the Marketing Fund in that year

None of the Marketing Fund is used principally to solicit franchisees

Advertising Council

We do not have a formal advertising council

Local Advertising

In addition to your required contributions to the Marketing Fund and the required grand opening advertising contribution, you are obligated to spend for advertising and promotion of the Restaurant not less than 4% of your Gross Sales each fiscal year (or other measurement period specified by us in the Manuals)

If other franchise owners operate CHURROHOLIC® Restaurants in the market area serviced by telephone, on-line or other directories, then you must participate in and pay your pro rata share (based on number of Restaurants) of the cost of such listings and advertising (Franchise Agreement – Section 11 6)

All advertising, promotion and marketing must conform to our brand standards and be completely clear and factual and not misleading and conform to the highest standards of ethical marketing and the promotion policies which we prescribe from time to time You must obtain and send us copies of all copyright authorizations and permissions that may be necessary from the appropriate parties Samples of all advertising, promotional and marketing materials that we have not prepared or previously approved, or you have made adjustments to previously approved materials, must be submitted for approval before you use them If you do not receive written approval within 30 days after we receive the materials, we will be deemed to have given the required approval You must not use any advertising or promotional materials that we have disapproved, whether or not you have already printed or developed them (Franchise Agreement - Section 11 6)

Advertising Co-op

If we decide that an association of franchisees is to be established in your geographic area for marketing, advertising and promotion, you must join and actively participate The Co-op contribution amount will be determined by the Co-op, but will not exceed 2% of Gross Sales Your local advertising requirement will be reduced by the amount that you contribute to any Co-op We will not set the amount of those contributions The Co-op will adopt its own rules, regulations and procedures, which you must follow However, the rules, regulations and procedures of the Co-op and any related agreements, as well as any changes or additions to them, are subject to our approval All advertising utilized by the Co-op must not be used unless and until we have reviewed and approved it We also have the right to participate in any meetings of the Co-op and its members Your failure to timely contribute the amounts required by the Co-op constitutes a material breach of the provisions of the Franchise Agreement and we may offset against any amounts we owe to you the amount of your Co-op contributions and pay such contributions for you (Franchise Agreement – Section 11 7)

There are no Co-ops as of the issuance date of this disclosure document

Hardware and Software Requirements

We currently require you to purchase the Clover Station Bundle POS System (the "**POS System**") The estimated cost of the POS System is between $10,000 and $15,000 This does not include the cost of $300 to $600 the optional kitchen printer This does not include a monthly service fee of approximately $200 to $500 We may modify the POS System and other computer hardware and software requirements from time to time

The Clover Station Bundle POS System includes a display screen, EMV chip card reader, thermal printer and cash drawer with unlimited cloud storage and no physical memory card It is an Android table based POS System The Clover Station Bundle POS System comes with a thermal printer for the POS System You may, but are not currently required to, purchase an additional kitchen printer The models currently compatible with the Clover Station Bundle are Star Micronics SP742ME (dot matrix) or Star Micronics TSP143IIILAN (thermal) You must also have an internet connection Ethernet is suggested, but the Clover Station Bundle can be connected wirelessly

Training

Initial Training

We will furnish initial training on the operation of a CHURROHOLIC® Restaurant to you and 2 other persons (or, if you are a Business Entity, up to 3 of your owners) The training lasts for approximately 2 weeks and will be furnished at our designated training facility and/or at an operating CHURROHOLIC® Restaurant, as we specify Some of this training is provided on the job with the opening staff You, or your owners, and your general manager, are required to complete the initial training to our satisfaction Successful completion of the initial training program by you, or your owners, is a condition to the opening of the CHURROHOLIC® Restaurant to the public Training must be completed at least 15 days prior to opening You also are required to participate in all other activities required to operate the Restaurant Although we will furnish initial training to you and 2 other persons, or up to 3 of your owners, at no additional fee or other charge, you will be responsible for all travel and living expenses which such persons incur in connection with training We may charge a fee of up to $1,000 per person over the first 3 that attend training You must replace any employee if we determine that they are not qualified to serve at the Restaurant If we determine that you, or your owners, are unable to complete initial training to our satisfaction, we have the right to terminate this Agreement

Currently, our Initial Training consists of the following

TRAINING PROGRAM

Subject	Hours Of Classroom Training	Hours Of On The Job Training	Location
Customer Service	3	16	At one of our company-owned Restaurants in California
Drinks Training	8	16	At one of our company-owned Restaurants in California
Kitchen Training	0	32	At one of our company-owned Restaurants in California
Total	**11**	**64**	

The materials used in training include the Manual, as well as other presentation materials including handouts and job-aids It is the nature of the CHURROHOLIC® Restaurant business that all aspects of training are integrated, that is, there are no definitive starting and stopping times Training will be conducted by the following individuals

Sky Hoang has more than ~~5~~6 years of experience with us or our affiliates and ~~15~~16 years of restaurant management experience (See Item 2)

Khiem Hoang has more than ~~5~~6 years of experience with us or our affiliates and ~~20~~21 years of restaurant management experience

On-going Training

We may require you, or your owners, and/or your managerial level employees to attend periodic refresher training courses at such times and locations that we designate We currently charge a fee of

$500 per person for attendance at a refresher training course You are responsible for all out-of-pocket expenses, including travel, lodging and meals

Operations Manual

Currently, our Manual consists of the Operations Manual containing 53 pages, including appendices The table of contents of our Manual as of the date of this disclosure document is specified in Exhibit "F" We consider the contents of the Manual to be proprietary, and you must treat it as confidential You may not make any unauthorized copies of the Manual

ITEM 12
TERRITORY

The franchise is granted for a specific location that we have accepted (the "**Site**") The Trade Area of a CHURROHOLIC® Restaurant generally consists of the Site and the geographic area within a 1-mile radius (the "**Trade Area**") around the Site We will not approve a Site within the Trade Area of any other CHURROHOLIC® Restaurant, whether it is franchised or owned by us As long as you are in compliance with this Agreement, we will not grant a franchise for, nor ourselves operate, a CHURROHOLIC® Restaurant within your Trade Area

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

Rights We Retain

We (and our affiliates) retain the right to

(a) solicit prospective franchisees and grant other persons franchises, or other rights to operate CHURROHOLIC® Restaurants through national or regional advertising, trade shows or conventions, or using or through the Internet, Intranet or other forms of e-commerce or through similar means,

(b) own or operate, or grant others the right to own or operate CHURROHOLIC® Restaurants at a captive audience location, such as an airport, enclosed shopping mall, large manufacturing plant or university campus anywhere, including your Trade Area,

(c) own and operate CHURROHOLIC® Restaurants ourselves or through a parent or affiliates anywhere, except your Trade Area,

(d) sell, solicit, recruit and provide services for CHURROHOLIC® Restaurants or any franchised business not defined as a CHURROHOLIC® Restaurant in the Franchise Agreement,

(e) sell, and provide the products and/or services authorized for sale by, CHURROHOLIC® Restaurants under the Marks or other trade names, trademarks, service marks and commercial symbols through similar or dissimilar channels (like telephone, mail order, kiosk, co-branded sites and sites located within other retail businesses, Intranet, Internet, websites, wireless, email or other forms of e-commerce), including the sale and distribution of food products in grocery and other retail stores, for distribution within and outside of your Trade Area and pursuant to such terms and conditions as we consider appropriate,

(f) acquire the assets or ownership interest of one or more businesses providing products and services similar to those provided at CHURROHOLIC® Restaurants, and franchising, licensing or creating similar arrangements with respect to these businesses once acquired, wherever these business (or the franchisees or licensees of these businesses) are located or operating (including in your Trade Area),

(g) be acquired (whether through acquisition of assets, ownership interest or otherwise, regardless of the form of transaction), buy a business providing products and services similar to those provided at CHURROHOLIC® Restaurants, or by another business, even if such business operates, franchises and/or licenses competitive businesses in the Trade Area,

(h) conduct all internet-related, e-commerce, social media and related communications relating to the operation of CHURROHOLIC® Restaurants or the selling of products and services offered at any of the CHURROHOLIC® Restaurants In this connection, we will have the sole right to establish one or more websites that contain any of the Marks, or that advertise, market or promote any of the services that we authorize for CHURROHOLIC® Restaurants You must follow our rules and policies with respect to the use of the internet and social media, both for advertising and marketing, and for the conducting of electronic commerce We may engage in internet and any e-commerce, marketing, promotion and operation, even if those activities affect customer relationships within your Trade Area,

(i) offer, promote and perform delivery and catering services, whether or not using the Marks, anywhere, and

(j) solicit prospective franchisees for, and own and operate, businesses and restaurants of any other kind or nature, anywhere

Certain Trade Area Exclusions

Due to the territorial rights and restrictions, as well as the rights we retain, we have no restrictions from soliciting or accepting orders from consumers inside your Trade Area, and we do not pay compensation for soliciting or accepting orders from inside your Trade Area Likewise, although you may solicit or accept orders from consumers outside of your Trade Area, you may find that it is not economical to do so and we encourage you to refer customers to the CHURROHOLIC® Restaurant closest to them You do not have the right to utilize other channels of distribution to solicit or accept orders from consumers, like the internet, telemarketing or other direct marketing, either inside or outside of your Trade Area You may use the internet to advertise our services only in compliance with the Franchise Agreement and we may or may not allow internet ordering at your Restaurant

We have not established, and do not intend to establish, other franchised or company-owned restaurants or other channels of distribution for selling products or services substantially similar to the products or services sold by CHURROHOLIC® Restaurants but under a different trademark, except for HICCUPS® Restaurants There is some overlap in food and products our affiliate plans to offer franchises for a an Asian fusion restaurant, serving Thai, Chinese and Vietnamese cuisines, including Boba Tea and coffee under HICCUPS® trade name and business system We have affiliates that currently operate and manage 4 HICCUPS® Restaurant located in Long Beach, Carson City, Paramount City, and Anaheim, California Many recipes, menu items and operational systems will be the same or similar between the 2 restaurant brands Our affiliates are Hiccups Franchising, Inc , Tea Fusion House, LLC, Hiccups Veo Plaza, Inc , Hiccups Paramount City, Inc and Sealand Restaurant, Inc (see Item 1) We share the same principal management, officers and training staff We will determine policies in the future to resolve any conflicts between franchises of the 2 brands but will make those determinations as we see appropriate using our business judgment

ITEM 13
TRADEMARKS

Principal Trademarks

We grant you the right to use certain trademarks, service marks and other commercial symbols in operating your CHURROHOLIC® Restaurant The principal trademark we use is "CHURROHOLIC," but we also authorize you to use other trademarks (the "**Marks**")

Trademark Registration

~~We applied for registration of the following~~The principal trademark is registered on the Principal Register of the United States Patent and Trademark Office (the "**USPTO**") as follows

Mark	Registration Date	Registration No	Class/Use
CHURROHOLIC	9/19/17	5290534	IC 043 US 100 101

We have the right to use and license the use of the Marks to franchisees under a License Agreement with Churroholic The License Agreement provides that Churroholic has the right to specify, inspect, and oversee the quality standards of our services and products to assure the protection, enhancement, and goodwill of the Marks The License Agreement is of perpetual duration and will remain in effect unless terminated by us or Churroholic If we breach the License Agreement, or if the License Agreement is otherwise terminated, you may lose your rights to use the Marks

There are no other agreements currently in effect which significantly limit our rights to use or license the use of the Marks in a manner material to the franchise There are no currently effective material determinations of the USPTO, the Trademark Trial and Appeal Board, the trademark administrator of any state or any court, nor are there any pending infringements, opposition or cancellation proceedings, or material litigation involving our principal trademarks All required affidavits have been filed

Use of the Marks

You must follow our rules when you use the Marks You cannot use any Mark as part of your corporate or legal business name or with modifying words, designs or symbols (except for those we license to you) You cannot use any Mark in connection with the performance or sale of any unauthorized services or products or in any other manner we have not expressly authorized in writing

Infringements

You must notify us immediately of any apparent infringement or challenge to your use of any Mark, or of any claim by any person of any rights in any Mark, and you may not communicate with any person other than us, our attorneys and your attorneys in connection with any such infringement, challenge or claim We have sole discretion to take such action as we deem appropriate and the right to control exclusively any litigation, PTO proceeding or any other administrative proceeding arising from such infringement, challenge or claim or otherwise relating to any Mark You must sign any instruments and documents, provide such assistance and take any action that, in the opinion of our attorneys, may be necessary or advisable to protect and maintain our interests in any litigation or PTO or other proceeding or otherwise to protect and maintain our interests in the Marks

We are not obligated to protect your rights to use the Marks or to protect you against claims of infringement or unfair competition We are not obligated to participate in your defense and/or indemnify you for expenses or damages if you are party to an administrative or judicial proceeding involving the Marks if the proceeding is resolved unfavorable to you

Changes to the Mark

If it becomes advisable at any time in our sole discretion for us and/or you to modify or discontinue the use of any Mark and/or use one or more additional or substitute trade or service marks, you must comply with our directions within a reasonable time after receiving notice We will not be obligated to reimburse you for any loss of revenue attributable to any modified or discontinued Mark or for any expenditures you make to promote a modified or substitute trademark or service mark

Indemnification

We will indemnify you against and reimburse you for all damages for which you are held liable to third parties in any proceeding arising out of your authorized use of any of the Marks resulting from claims by third parties that your use of any of the Marks infringes their trademark rights, and for all costs you reasonably incur in the defense of any such claim in which you are named as a party, so long as you have timely notified us of the claim and have otherwise complied with the terms of our agreements with you We will not indemnify you against the consequences of your use of the Marks except in accordance with the requirements of our agreements with you You must provide written notice to us of any such claim within 10 days of your receipt of such notice and you must tender the defense of the claim to us We will have the right to defend any such claim and if we do so, we will have no obligation to indemnify or reimburse you for any fees or disbursements of any attorney retained by you If we elect to defend the claim, we will have the right to manage the defense of the claim including the right to compromise, settle or otherwise resolve the claim, and to determine whether to appeal a final determination of the claim

Other than as described above, we do not actually know of either superior prior rights or infringing uses that could materially affect your use of our principal trademarks in any state

ITEM 14
PATENTS, COPYRIGHTS, AND PROPRIETARY INFORMATION

There are no patents that are material to the franchise

We claim copyrights in the Manual and the menus, and advertising materials and related items used in operating the franchise These copyrights have not been registered with the United States Registrar of Copyrights

The Manual, which is described in Item 11, and other materials we possess contain our confidential information This information includes site selection criteria, recipes, methods, formats, specifications, standards, systems, procedures and sales and marketing techniques used, and knowledge of and experience, in developing and operating Restaurants, marketing and advertising programs for

Restaurants, knowledge of specifications for and suppliers of certain fixtures, furnishings, equipment, products, materials and supplies, and knowledge of the operating results and financial performance of Restaurants other than your Restaurant

All ideas, recipes, menu items, concepts, techniques or materials relating to Restaurants (including any specific to your Restaurant), whether or not constituting protectable intellectual property, and whether created by or on behalf of you or your owners, must be promptly disclosed to us, will be considered our property and part of our franchise system and will be considered to be works made-for-hire for us You and your owners must sign whatever documents we request to evidence our ownership or to assist us in securing intellectual property rights in such ideas, concepts, techniques or materials

You may not use our confidential information in an unauthorized manner and must take reasonable steps to prevent its disclosure to others We require all of your employees, including your managers, to sign our then current form of Confidentiality Agreement in the form attached as Exhibit "E"

There currently are no effective determinations of the Copyright Office (Library of Congress) or any court regarding any of the copyrighted materials Nor are there any agreements currently in effect which significantly limit our right to use or authorize franchisees to use the copyrighted materials Furthermore, there are no infringing uses actually known to us which could materially affect a franchisee's use of the copyrighted materials in any state We are not required by any agreement to protect or defend copyrights or confidential information, although we intend to do so when this action is in the best interests of the CHURROHOLIC® System

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

You must at all times faithfully, honestly and diligently perform your obligations under the Franchise Agreement, continuously exert your best efforts to promote and enhance the Restaurant and not engage in any other business or activity that conflicts with your obligations to operate the Restaurant in compliance with the Franchise Agreement You (or your owner) must devote full time and best efforts to the management and supervision of the Restaurant Unless we agree otherwise, you (or your owner) must act as the manager of the Restaurant with responsibility for direct, on-premises supervision of the Restaurant On request, we may allow you to hire a managerial-level employee or representative to provide on-site restaurant supervision, provided such person has at least a 25% ownership interest in the Restaurant, meets our standards, has completed our training program, and signs our standard form of Confidentiality Agreement You must keep us informed at all times of the identity of any supervisory employee(s) acting as assistant manager(s) of the Restaurant

If you are a corporation, limited liability company or limited partnership, your 10% or more owners and any owner with management responsibility must not only personally guarantee your obligations under the Franchise Agreement but also agree to be personally bound by, and personally liable for the breach of, every provision of the Franchise Agreement, both monetary obligations and obligations to take or refrain from taking specific actions or to engage or refrain from engaging in specific activities The form of "**Principal Owner's Guaranty**" is attached as Exhibit "G" We require you to complete a "**Principal Owner's Statement**" in the form attached as Exhibit "H" The Principal Owner's Statement describes all of your owners and their interests in you We require that one of your owners maintain a controlling interest and have the authority to bind you regarding all operational decisions with respect to your Restaurant

At our request, you will furnish true and correct copies of all documents and contracts governing the rights, obligations and powers of your owners and agents (like articles of incorporation or organization and partnership, operating or shareholder agreements) Your organizational structure and governing documents must be acceptable to us and contain terms and provisions to prevent management deadlocks and resolve disputes among your shareholders or owners with minimal disruption to the franchised business If you are a corporation, limited liability company or partnership, we require one of your owners to maintain a controlling interest in the business, with authority to make operational decisions

ITEM 16
RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

You must offer for sale all products, and perform all services, that we require from time to time for Restaurants and any such modifications may obligate you to invest additional capital in the Restaurant (**"Capital Modifications"**) and/or incur higher operating costs You must make the Capital Modifications within the time frame we require Capital Modifications that require you to obtain additional or replace equipment or technology must be made immediately on notice Capital Modifications that require substantial physical modifications to your Restaurant will not be required during the first 12 months after opening your Restaurant (these would encompass items like new or replacement flooring, interior decor and color scheme (as opposed to upkeep), exterior signage, furniture You may not offer for sale any products or perform any services that we have not authorized (See Items 8 and 9) Our System Standards may regulate required or authorized products, product categories and supplies We have the right to change the types of required and/or authorized goods and services from time to time Capital Modifications are in addition to costs to repair, replace or refurbish your equipment and fixtures from time to time

All products you use or sell at the Restaurant must conform to our standards and specifications (See Item 8) These are described in our Manuals and other writings You must not deviate from our standards and specifications unless we first give you our written consent You must also comply with all applicable laws and regulations and secure all appropriate governmental approvals for the Restaurant

You must offer and sell only the menu items, products and services that we have expressly approved in writing You must stop selling any menu items, products or services that we disapprove in writing There is no limit on our right to add or remove items from our standard menu and you must promptly comply with any changes that we make to the menu You must prepare all menu items using the procedures for preparation contained in our Manuals or other written instructions You must not use or offer nonconforming items, unless we first give you our written consent You must open and operate the Restaurant during the hours we specify in the Manual or otherwise in writing Regional menu items or options only available in certain markets may be offered only to select markets and are subject to our approval

We may make available to you and may require you to purchase for resale to your customers certain merchandise, like CHURROHOLIC® memorabilia, in amounts necessary to meet your customer demand

You may not advertise, promote, post or list information relating to the Restaurant on the Internet (through the creation of a website or otherwise), without our prior written consent

You may only offer catering, delivery or event services with our prior written approval (See Item 12)

We do not impose any other restrictions in the Franchise Agreement or otherwise on the goods or services that you may offer or sell or on the customers to whom you may offer or sell

ITEM 17
RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION

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

Provision	Section in the Agreement	Summary
(a) Length of the franchise term	FA Section 2 1	FA Expires 10 years from the effective date of the Franchise Agreement
(b) Renewal or extension of the term	FA Section 15	If you are in good standing, you can acquire a successor agreement on our then current terms for an additional 10-year term
(c) Requirements for franchisee to renew or extend	FA Section 15	To remain a franchisee, you must meet all required conditions for renewal (Successor Franchise), including signing our then-current form of franchise agreement, which may be materially different than your original contract, maintain the Site or secure substitute Site, bring Restaurant into compliance with our then-current specifications and standards, sign ancillary agreements, general releases, satisfactory completion of training and refresher programs, and pay fee
(d) Termination by franchisee	Not Applicable	Not Applicable
(e) Termination by franchisor without cause	Not Applicable	Not Applicable
(f) Termination by franchisor with cause	FA Section 16	We can terminate only if you commit one of several violations
(g) "Cause" defined – curable defaults	FA Sections 16 1 and 16 2	24 hours to cure violation of any health, safety or sanitation law, ordinance or regulation and 30 days to cure the following (a) any monetary defaults, including us or your suppliers, (b) you or a trained manager is not present at the Restaurant during all open hours, (c) failure to keep the Restaurant open during the required hours, (d) purchasing or leasing any product or service from an unapproved supplier, (e) failure to participate in a Co-op, (f) failure to pay taxes and assessments, (g) failure to obtain and maintain required permits, (h) if you are a Business Entity, failure to maintain active status in your state of organization, (i) failure to timely make required reports, (j) failure to maintain sufficient liquid funds to pay amounts to us via electronic transfer, (k) you violate any other provision of your Franchise Agreement, (l) failure

Provision	Section in the Agreement	Summary
		to maintain any standards or procedures contained in the Manual, (m) continued violation of any law, ordinance, rule or regulation of a governmental agency, or (n) failure to obtain any approvals or consents required by the Franchise Agreement
(h) "Cause" defined – non-curable defaults	FA Section 16 1	You (or any of your owners) (a) made any material misrepresentation or omission, (b) fail to begin operating the Restaurant within 12 months of the Franchise Agreement date, (c) fail to complete any training to our satisfaction, (d) failure to satisfy your development obligations or any other obligations under your Franchise Agreement, (e) termination of any franchise agreement with us and you or any of your affiliates, (f) are convicted or plead no contest or guilty to a felony or other serious crime, (g) engage in any dishonest or unethical conduct, (h) abandonment, (i) unauthorized transfer, (j) uncured health, safety or sanitation law violations, (k) understate Gross Sales by 5% or more, (l) failure to pay taxes when due, (m) fail to assign the Franchise Agreement in the event of your (or your owner's) death or disability, (n) lose possession of the Site, (o) make any unauthorized use or disclosure of any Confidential Information, (p) repeated failure to timely submit reports or other data, information or supporting records or pay amounts due to us or others or otherwise to comply with your Franchise Agreement or cure defaults, or (q) are bankrupt or insolvent
(i) Franchisee's obligations on termination/ nonrenewal	FA Section 17	Obligations include payment of outstanding amounts, complete de-identification and return of confidential information (also see (r) below)
(j) Assignment of contract by franchisor	FA Section 14 1	No restriction on our right to assign
(k) "Transfer" by franchisee - defined	FA Section 14 2	Voluntary or involuntary, direct or indirect assignment, sale, gift or other disposition of any interest in the Franchise Agreement, you or the Restaurant
(l) Franchisor approval of transfer by franchisee	FA Sections 14 2 and 14 4	We have the right to approve all transfers, even to a Business Entity controlled by you

Provision	Section in the Agreement	Summary
(m) Conditions for franchisor's approval of transfer	FA Section 14 3	New franchisee qualifies, you pay us all amounts due, new owners and/or managerial employees agree to be trained, transferee agrees to be bound by terms and conditions of franchise agreement and to sign our then-current form of franchise agreement, transferees agrees to upgrade the Restaurant, if necessary, transfer fee paid, we approve material terms, you subordinate amounts due to you, and you sign other documents we require – including general releases (also see (r) below)
(n) Franchisor's right of first refusal to acquire franchisee's business	FA Section 14 8	We can match any offer for your business or an ownership interest in you provided that we may substitute cash for any form of payment at a discounted amount if an interest rate will be charged on any deferred payments, our credit will be deemed equal to that of any proposed purchaser, we will have no less than 30 days to prepare for closing and we receive all customary representations and warranties, as we specify
(o) Franchisor's option to purchase franchisee's business	FA Section 17 5	We have the option to buy the Restaurant, including leasehold rights to the Site, at fair market value after termination (but not expiration) of the Franchise Agreement If we cannot agree on a fair market value, an independent appraisal will be conducted
(p) Death or disability of franchisee	FA Sections 14 5 and 14 6	Franchise or an ownership interest in you must be assigned to an approved buyer within a period we designate, not less than 1 month but not more than 6 months, and Restaurant must be run by a trained manager during the period prior to the assignment Assignment is subject to our right of first refusal
(q) Non-competition covenants during the term of the franchise	FA Section 9	No direct or indirect interest in a competitive restaurant anywhere within 10 miles of the Site or 10 miles of any other CHURROHOLIC® Restaurant, no direct or indirect controlling ownership interest in, or performance of services for, a competitive restaurant anywhere, no recruiting or hiring of any person who is our employee or an employee of any CHURROHOLIC® Restaurant We may require your managers and employees to sign our then current form of Confidentiality Agreement
(r) Non-competition covenants after the franchise is terminated or expires	FA Section 17 4	No direct or indirect interest in competing business for 2 years at, or within 10 miles of, the Site or ~~within 10 miles of any other CHURROHOLIC®~~ Restaurants in operation or under construction (same restrictions apply after assignment)
(s) Modification of the agreement	FA Section 19 1	No modifications except by written agreement, but Manual and System Standards are subject to change
(t) Integration/merger clause	FA Section 19 13	Only the terms of the Franchise Agreement and other related written agreements are binding (subject to state law) Any other promises may not be enforceable No claim made in any franchise agreement is intended to disclaim the express representations made in this disclosure document

Provision	Section in the Agreement	Summary
(u) Dispute resolution by arbitration or mediation	FA Section 20	Except for certain claims, all disputes must be mediated at a mutually agreeable location, or at our headquarters If the dispute is not resolved within 45 days, the dispute must be arbitrated at the office of the American Arbitration Association closest to your Restaurant
(v) Choice of forum	FA Section 19 8	Litigation in the federal or state courts with jurisdiction in the county where you are located (subject to state law)
(w) Choice of law	FA Section 19 7	The law of the State where you are located (subject to state law)

See any state-specific riders or addenda attached to this 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 performance at a particular location or under particular circumstances

SALES INFORMATION FOR ~~FRANCHISED~~COMPANY-OWNED RESTAURANTS FOR AUGUST 2017 TO ~~MAY~~JUNE 30, 2018

The following chart shows the monthly sales of 3 Company-owned CHURROHOLIC® Restaurants and their opening dates ~~All have been open less than a year~~ Only 2 have been in business more than a year. We have excluded sales information from the Whittier restaurant we opened in April 2018 because it is a combined CHURROHOLIC® and HICCUPS® Tea Bar Restaurant. "Sales" means all gross revenue derived from sales of products and services to customers of the Restaurant, but excluding sales, use or services taxes, customer refunds, adjustments, credits and allowances

None of the 3 Company-owned CHURROHOLIC® Restaurants included in this Item 19 received any services not generally available to other franchisees, and substantially the same services will be offered to new franchisees, other than the management services of its operator and our affiliate

We obtained these sales figures from info~~rmation developed from our point of sale systems The~~ sales figures presented below are based on the cash basis of accounting and may not conform to generally accepted accounting principles Neither we, nor an independent accountant, have independently audited or verified the information This information may not be representative of the sales of these Company-owned CHURROHOLIC® Restaurants in any other months

		Anaheim (Opened 08/28/17)	Carson (Opened 11/27/17)	~~Whittier~~South Gate (Opened 0~~4~~9/~~11~~19/18)
2017	August	$13,278 84	n/a	n/a
2017	September	$142,411 33	n/a	n/a
2017	October	$127,202 23	n/a	n/a
2017	November	$109,797 54	$13,550 39	n/a
2017	December	$83,437 91	$107,697 41	n/a
2018	January	$106,543 62	$121,618 63	n/a
2018	February	$87,070 80	$105,367 05	n/a
2018	March	$103,314 84	$114,216 20	n/a
2018	April	$~~95,184 91~~ 83,317.00	$~~98,908 64~~83,317.00	~~$79,407 58~~ n/a
2018	May	$~~87,287 16~~ 75,999.00	$~~92,673 10~~75,999.00	~~$99,484 42~~ n/a
2018	June ~~(1 to 11)~~	$~~38,650 95~~ 87,315.00	$~~38,282 70~~ 81,880.00	~~$37 552 85~~ n/a
2018	~~TOTAL~~July	$~~994,180 13~~ 79,230.00	$~~692,314 12~~ 79,230.00	~~$216,444 85~~ n/a
2018	August	$63,241.00	$63,241.00	n/a
2018	September	$51,430.00	$51,430.00	$37,856.00
2018	October	$37,420.00	$33,691.00	$71,597.00
2018	November	$34,908.00	$32,663.00	$51,534.00
2018	December	$32,073.00	$29,943.00	$41,201.00
	TOTAL 2018	**$841,862.26**	**$872,595.88**	**$202,188.00**

THESE STATEMENTS DO NOT REFLECT COSTS OR EXPENSES

The sales figures are based on the historical results from the ~~3~~4 existing operating CHURROHOLIC® Restaurants only They should not be considered as the actual or potential sales that will be recognized by anyone else, including you

Some Restaurants have sold this amount Your individual results may differ There is no assurance you'll sell as much

The sales of CHURROHOLIC® Restaurants may be affected by seasonality in certain areas of the country, depending on location, climate, proximity to tourist destinations and "snowbird" communities, population density of year-round residents, and market draw We do not provide you with projections or forecasts of sales, profits or earnings Actual results may vary by region, market potential, your managerial skill, competition and other factors beyond our control Actual results will also vary by location and the viability of the site

Your actual sales revenues may differ from the data presented in the charts due to a variety of factors, such as regional market variations, the demographics of an area, lifestyles of customers in the market area, location of your CHURROHOLIC® Restaurant, and other market characteristics as well as your business abilities and efforts

Written substantiation for these financial performance representations will be made available to prospective franchisees upon reasonable request

The information presented is not a forecast of future financial performance

You should utilize the services of an accountant or other financial professional to help you if you want to prepare budgets or projections You should consult with other sources and your financial advisors in order to obtain additional information necessary to develop estimates of a CHURROHLLIC® Restaurant's costs, expenses, earnings and profits

The financial performance representations 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 CHURROHOLIC® Restaurant Franchisees or former franchisees, listed in this disclosure document, may be one source of this information

We recommend that you make your own independent investigation to determine whether or not your Restaurant may be profitable, and consult with an attorney and other advisors before executing the franchise agreement or area development agreement

Other than the preceding financial information, 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 Sky Minh Hoang, President, 12602 Hoover Street, Garden Grove, California 92841, telephone number 877 588 3209, the Federal Trade Commission and the appropriate state regulatory agency

ITEM 20
OUTLETS AND FRANCHISEE INFORMATION

Table No 1
Systemwide Outlet Summary
For Fiscal Years Ended
December 31, ~~2015,~~ 2016, ~~2017~~2017, 2018

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Franchised	~~2015~~2016	0	0	0
	~~2016~~2017	0	0	0
	~~2017~~2018	0	~~0~~1	~~0~~+1
Company- Owned	~~2015~~2016	0	0	0
	~~2016~~2017	0	~~0~~2*	~~0~~+2
	~~2017~~2018	~~0~~2*	~~2*~~4	+2
Total Outlets	**~~2015~~2016**	**0**	**0**	**0**
	~~2016~~2017	**0**	**~~0~~2***	**~~0~~+2**
	~~2017~~2018	**~~0~~2***	**~~2~~5**	**+~~2~~3**

*~~In addition to the 2 Company Owned Restaurants which opened in 2017 (Anaheim, California opened 8/28/17 and Carson, California opened 11/27/17), we have 1 Company Owned Restaurant which opened 4/11/18 in Whittier, California~~ Our company-owned Restaurants are owned by our affilate. One of our company-owned Restaurants is combined as dual brand with a HICCUPS® Tea Bar Restaurant in 1 locaiton.

Table No 2
Transfers of Outlets from Franchisees to New Owners (other than the Franchisor)
For Fiscal Years Ended
December 31, ~~2015,~~ 2016, ~~2017~~2017, 2018

State	Year	Number of Transfers
California	~~2015~~2016	0
	~~2016~~2017	0
	~~2017~~2018	0
Florida	2016	0
	2017	0
	2018	0
Texas	2016	0
	2017	0
	2018	0
Total	**2015**	**0**
	2016	**0**
	2017	**0**

Table No 3
Status of Franchised Outlets
For Fiscal Years Ended
December 31, ~~2015,~~ 2016, ~~2017~~2017, 2018

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations - Other Reasons	Outlets at End of the Year
California	~~2015~~2016	0	0	0	0	0	0	0
	~~2016~~2017	0	0	0	0	0	0	0
	~~2017~~2018	0	0	0	0	0	0	0
	~~2015~~	**~~0~~**	**~~0~~**	**~~0~~**	**~~0~~**	**~~0~~**	**~~0~~**	**~~0~~**
~~Totals~~Florida	2016	0	0	0	0	0	0	0
	2017	0	0	0	0	0	0	0
	2018	0	0	0	0	0	0	0
Texas	2016	0	0	0	0	0	0	0
	2017	0	0	0	0	0	0	0
	2018	0	1	0	0	0	0	1
Totals	**2016**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
	2017	**0**	**0**	**0**	**0**	**0**	**0**	**0**
	2018	**0**	**1**	**0**	**0**	**0**	**0**	**1**

Table No 4
Status of Company-Owned Outlets
For Fiscal Years Ended
December 31, ~~2015, 2016 and 2017~~2016, 2017, 2018

State	Yea5	Outlets at Start of Year	Outlets Opened	Outlets Reacquired From Franchisee	Outlets Closed	Outlets Sold to Franchisee	Outlets at End of Year
California	2016	0	0	0	0	0	0
	~~2016~~2017	0	~~0~~2	0	0	0	~~0~~2*
	~~2017~~2018	~~0~~2*	2	0	0	0	~~2*~~4
Totals	**~~2015~~2016**	**0**	**0**	**0**	**0**	**0**	**0**
	~~2016~~2017	**0**	**~~0~~2**	**0**	**0**	**0**	**~~0~~2**
	~~2017~~2018	**~~0~~2**	**2**	**0**	**0**	**0**	**~~2~~4**

*~~In addition to the 2 Company-Owned Restaurants which opened in 2017 (Anaheim, California opened 8/28/17 and Carson, California opened 11/27/17), we have 1 Company Owned Restaurant which opened 4/11/18 in Whittier, California.~~ Our company-owned Restaurants are owned by our affilate. One of our company-owned Restaurants is combined as dual brand with a HICCUPS® Tea Bar Restaurant in 1 locaiton.

Table No 5
Projected Openings As Of Fiscal Year End December 31, ~~2017~~2018

State	Franchise Agreements Signed But Outlet Not Opened	Projected New Franchised Outlets In the Next Fiscal Year (ending December 31, ~~2018~~2019)	Projected New Company-Owned Outlets In the Next Fiscal Year (ending December 31, ~~2018~~2019)
Arizona	~~0~~3	~~10~~0	~~3~~0
California	5	0	2
Florida	1	1	0
Texas	11	0	0
Totals	**~~0~~20**	**~~10~~1**	**~~3~~2**

The name, business address, and business telephone number of each current franchisee as of December 31, ~~2017,~~2018, are listed on Exhibit "P "

The name, city and state, and current business telephone number (or, if unknown, the last known home telephone number) of 0 franchisees who had a CHURROHOLIC® Restaurant franchise terminated, cancelled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under the Franchise Agreement, or who left the system during the most recently completed fiscal year, or had not communicated with us within 10 weeks of the date of this disclosure document are listed in Exhibit "Q "

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

We are not offering any existing franchised outlets to prospective franchisees~~, including those~~ that either have been reacquired by us or are still being operated by current franchisees pending a transfer If we begin to offer any such outlet, specific information about the outlet will be provided to you in a separate supplement to this disclosure document

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

There are no trademark-specific franchisee organizations associated with the CHURROHOLIC® franchise system

ITEM 21
FINANCIAL STATEMENTS

Attached to this disclosure document as Exhibit "A" ~~is our unaudited opening Balance Sheet as of December 31, 2017, reviewed by an independent certified public accountant~~ are our audited financial statements for the years ending December 31, 2017 and December 31, 2018. Our unaudited Balance Sheet and Statement of Income ~~as of March 31, 2018,~~for the period ending June 30, 2019, are also attached as Exhibit "A ". We were formed August 28, 2017 and began offering franchises on January 10, 2018 and have no operating history prior to August 28, 2017.

ITEM 22
CONTRACTS

The following agreements are attached as exhibits to this disclosure document

Franchise Agreement – Exhibit "B"
Conditional Assignment of Telephone Numbers and Listings – Exhibit "C"
Collateral Assignment and Assumption of Lease and Lease Rider – Exhibit "D"
Confidentiality, Nonsolicitation and Noncompetition Agreement - Exhibit "E"
Principal Owner's Guaranty – Exhibit "G"
Principal Owner's Statement – Exhibit "H"
Promissory Note and Security Agreement - Exhibit "I"
Bill of Sale - Exhibit "J"
Sublease - Exhibit "K"
Form of General Release – Exhibit "N"
Franchise Compliance Certificate – Exhibit "O"

ITEM 23
RECEIPTS

You will find 2 copies of a detachable Receipt in Exhibit "R" at the end of the disclosure document One Receipt must be signed, dated and delivered to us The other Receipt should be retained for your records

EXHIBIT A TO THE DISCLOSURE DOCUMENT

FINANCIAL STATEMENTS

OF

CHURROHOLIC FRANCHISING, INC

CHURROHOLIC FRANCHISING, INC.
FINANCIAL STATEMENTS

December 31, 2017-2018

CHURROHOLIC FRANCHISING, INC

INDEX

Page

DON LE, CPA, INC.
CERTIFIED PUBLIC ACCOUNTANT
TAX – AUDIT – BOOKKEEPING – CONSULTING

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Churroholic Franchising, Inc
Garden Grove, California

We have audited the accompanying financial statements of Churroholic Franchising, Inc (a California corporation), which comprise the balance sheets as of December 31, 2017 & 2018, and the related statements of income, stockholders' equity, and cash flows for the years then ended, and the related notes to the financial statements

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error In making those risk assessments, the auditor considers internal control relevant to the entity'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 entity's internal control Accordingly, we express no such opinion An audit also includes evaluating the 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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions

8051 WESTMINSTER BLVD • WESTMINSTER, CA 92683 • TEL (714)891-9996 & (714) 891-9327 • FAX (714) 891-8727

Opinion

In our opinion, the financial statements referred to above present fairly, in all material aspects, the financial position of Churroholic Franchising, Inc as of December 31, 2017 & 2018 and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America

Don Le, CPA, Inc
July 23, 2019

CHURROHOLIC FRANCHISING, INC
BALANCE SHEET
As of December 31, 2017 & 2018

	2017	2018
ASSETS		
CURRENT ASSETS		
Cash in Bank	$ 5,000	$ 32,341
Total Current Assets	5,000	32,341
FIXED ASSETS		
Computers	-	-
Accumulated Depreciation-Computers	-	-
Furniture & Fixtures	-	-
Accumulated Depreciation-Furniture & Fixtures	-	-
Total Fixed Assets	-	-
TOTAL ASSETS	5,000	32,341
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Account Payable	950	3,000
Credit Cards Payable	-	26,305
Total Current Liabilities	950	29,305
LONG-TERM LIABILITIES		
Total Long-Term Liabilities	-	-
SHAREHOLDERS' EQUITY		
Common Stock (1,000 shares authorized)	5,000	5,000
Additional Paid-in-capital	-	85,227
Retained Earnings/(Loss)	(950)	(87,192)
Total Shareholders' Equity	4,050	3,036
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	5,000	32,341

The accompanying notes are an intergral part of these financial statements

CHURROHOLIC FRANCHISING INC
STATEMENT OF INCOME AND RETAINED EARNINGS
For the Years Ended December 31, 2017 & 2018

	2017	2018
REVENUE		
Sales	$ -	$ 812,003
Franchise Fees	-	271,876
Total Revenue	-	1,083,879
COST OF GOODS SOLD		
Freight and Shipping	-	10,780
Restaurant Supplies	-	486,326
Franchisee Improvement	-	37,480
Total Cost of Goods Sold	-	534,586
GROSS PROFIT	-	549,293
OPERATING EXPENSES		
Advertising	-	481,442
Auto Expenses	-	2,686
General & Administrative Expenses	-	13,736
Laundry and Cleaning	-	22,784
Legal & Professional	950	48,728
Licences & Permits	-	4,883
Meals & Entertainment	-	6,034
Printing	-	4,135
Rent	-	13,212
Security	-	7,343
Telephone & Internet	-	7,672
Travel	-	14,438
Utilities	-	7,642
Total Operating Expenses	950	634,735
OPERATING INCOME/(LOSS)	(950)	(85,442)
INCOME TAX	-	800
NET INCOME/(LOSS)	(950)	(86,242)
RETAINED EARNINGS/(LOSS)-BEGINNING	-	(950)
RETAINED EARNINGS/(LOSS)-ENDING	$ (950)	$ (87,192)

The accompanying notes are an intergral part of these financial statements

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CHURROHOLIC FRANCHISING, INC
STATEMENT OF CASH FLOWS
For the Years Ended December 31, 2017 & 2018

	2017	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Loss	$ (950)	$ (86,242)
Adjustments to reconcile net income to		
net cash used by operating activities	-	-
Credit Cards Payable	-	26,305
Account payable	950	2,050
Net cash flows provided by operating activities	-	(57,887)
CASH FLOWS FROM INVESTING ACTIVITIES		
Net cash flows provided by investing activities	-	-
CASH FLOWS FROM FINANCING ACTIVITIES		
Issuance of common stock	5,000	
Additional Paid-in-capital	-	85,227
Net cash flows provided by financing activities	5,000	85,227
Net increase in cash	5,000	27,341
CASH AND CASH EQUIVALENTS-BEGINNING	-	5,000
CASH AND CASH EQUIVALENTS-ENDING	$ 5,000	$ 32,341

The accompanying notes are an intergral part of these financial statements

CHURROHOLIC FRANCHISING, INC
NOTES TO FINANCIAL STATEMENTS
December 31, 2017 & 2018

GENERAL

Churroholic Franchising, Inc (the Company) is a California corporation incorporated on August 28, 2017 The Company designated its principal executive office at 12602 Hoover Street, Garden Grove, CA 92841 The franchisor provides resources and guidance to help establishing a Churroholic restaurant, which serves delicious pan-Asian dishes with a variety of specialty churro

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of significant accounting policies applied in the preparation of these financial statements The policies conform to generally accepted accounting principles

Depreciation

Fixed assets are stated at cost less accumulated depreciation Depreciation expense is computed using the straight line method over their estimated useful lives

Description	Life/Range
Machinery and equipment	5 years
Furniture and fixtures	7 years

When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts and any resulting gain or loss is reflected in income for the period

The cost of maintenance and repairs is charged to expense as incurred, whereas significant renewals or betterment are capitalized

Statement of Cash Flows

The company adopted the provisions of Statement of Financial Accounting Standards No 95, "Statements of Cash Flows" (FAS 95) for the years ended December 31, 2017 & 2018 FAS 95 requires that the following supplemental disclosures to the statement of cash flows be provided For the year ended December 31, 2018, the company paid $800 and $0 for income taxes and interest expenses respectively

For purposes of the statement of cash flows, the corporation considers all highly liquid instruments purchased with a maturity of three months or less to be cash equivalents

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CHURROHOLIC FRANCHISING, INC
NOTES TO FINANCIAL STATEMENTS
December 31, 2017 & 2018

Income Taxes

Deferred income taxes are determined on the liability method in accordance with Statement of Financial Accounting Standards No 109 This method results in the recognition of deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the book carrying amounts and the tax basis of assets and liabilities The differences relate primarily to depreciable assets (use of different depreciation methods and lives for financial statement and income tax purposes) The deferred tax assets and liabilities represent the future tax return consequences of those differences, which will either be taxable or deductible when the assets and liabilities are recovered or settled

Advertising

The Company expenses advertising costs as incurred For the year ending December 31, 2018, advertising cost was $481,442

NOTE B-CASH IN BANK

As of December 31, 2018, the corporation has its bank account at Wells Fargo with the balances as follows

General Account	$	32,341

NOTE C – RELATED PARTY TRANSACTIONS

The sole shareholder of the company, Sky Hoang, made many bank transfers between his businesses in 2018 The net amount of transfers as of December 31, 2018 was $85,227 This amount was classified additional paid-in capital

NOTE D – OPERATING LEASING OBLIGATION

Hiccups Franchising Corp operates business activities at 12602 Hoover Street, city of Garden Grove, California There is no lease obligation to the Company, but instead the leased was signed under the obligation of Tea Fusion House, LLC, another company solely owned by Sky Hoang

NOTE E – CONCENTRATION OF CREDIT RISK AND MAJOR CUSTOMERS

Accounts at banks are insured by the FDIC for up to $250,000 At times, the Company's cash balance may exceed these limits

THE FOLLOWING FINANCIAL STATEMENTS ARE PREPARED WITHOUT AN AUDIT PROSPECTIVE FRANCHISEES SHOULD BE ADVISED THAT NO CERTIFIED PUBLIC ACCOUNTANT HAS AUDITED THESE FIGURES OR EXPRESSED AN OPINION WITH REGARD TO THE CONTENT OR FORM.

CHURROHOLIC FRANCHISING, INC
BALANCE SHEET
As of June 30, 2019

ASSETS

CURRENT ASSETS		
Cash in Bank	$ - 51,128	
Loan to Shareholder	30,000	
Total Current Assets		$ 81,128
FIXED ASSETS		
Computers	-	
Accumulated Depreciation-Computers	-	
Furniture & Fixtures	-	
Accumulated Depreciation-Furniture & Fixtures	-	
Total Fixed Assets		-
TOTAL ASSETS		81,128

LIABILITIES AND SHAREHOLDERS' EQUITY

CURRENT LIABILITIES		
Account Payable	1,500	
Credit Cards Payable	12,107	
Total Current Liabilities		13,607
LONG-TERM LIABILITIES		
Total Long-Term Liabilities		-
SHAREHOLDERS' EQUITY		
Common Stock (1,000 shares authorized)	5,000	
Additional Paid-in-capital	65,227	
Retained Earnings/(Loss)	(2,706)	
Total Shareholders' Equity		67,521
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		81,128

CHURROHOLIC FRANCHISING INC
STATEMENT OF INCOME AND RETAINED EARNINGS
For the Six Months Ended June 30, 2019

REVENUE		
Sales	$ 149,316	
Franchise Fees	60,945	
Total Revenue		$ 210,261
COST OF GOODS SOLD		
Restaurant Supplies	112,206	
Total Cost of Goods Sold		112,206
GROSS PROFIT		98,055
OPERATING EXPENSES		
Bank and Credit Card Charges	1,069	
General & Administrative Expenses	122	
Legal & Professional	11,578	
Total Operating Expenses		12,769
OPERATING INCOME/(LOSS)		85,286
INCOME TAX		800
NET INCOME/(LOSS)		84,486
RETAINED EARNINGS/(LOSS)-BEGINNING		(87,192)
RETAINED EARNINGS/(LOSS)-ENDING		$ (2,706)

EXHIBIT B TO THE DISCLOSURE DOCUMENT

FORM OF

FRANCHISE AGREEMENT

CHURROHOLIC®

FRANCHISE AGREEMENT

AGREEMENT DATE

RESTAURANT NUMBER

FRANCHISE OWNER

ADDRESS OF RESTAURANT TO BE COMPLETED WHEN SITE IS ACQUIRED

TABLE OF CONTENTS

EXHIBITS

CHURROHOLIC®

FRANCHISE AGREEMENT

THIS FRANCHISE AGREEMENT (the "**Agreement**") is effective as of ______________, 20__ (the "**Agreement Date**") The parties to this Agreement are **CHURROHOLIC FRANCHISING, INC**, a California corporation, with its principal business address at 12602 Hoover Street, Garden Grove, California 92841 (referred to in this Agreement as "**we**," "**us**" or "**our**"), and ______________ ______, whose principal business address is ______________________________ (referred to in this Agreement as "**you**," "**your**" or "**Franchise Owner**")

1 **INTRODUCTION** Various terms are defined in context throughout this Agreement, and a glossary is attached as Exhibit "A" for convenience

1 1 **The CHURROHOLIC® System** We and our affiliates have expended considerable time and effort in developing a fast casual counter-order/table service restaurant that as of the Agreement Date features a variety of handcrafted churros and churro glazes, as well as other foods and drinks in a casual atmosphere (a "**CHURROHOLIC® Restaurant**" or "**Restaurant**") CHURROHOLIC® Restaurants operate under the service mark and trade name "CHURROHOLIC®" and other associated logos, designs, artwork and trade dress, trademarks, service marks, commercial symbols, and e-names, which have gained and continue to gain public acceptance and goodwill, and may create, use and license additional trademarks, service marks, e-names and commercial symbols in conjunction with the operation of CHURROHOLIC® Restaurants (collectively, the "**Marks**") and under distinctive business formats, methods, procedures, designs, layouts, signs, equipment, menus, recipes, trade dress, standards and specifications, all of which we may improve, further develop or otherwise modify from time to time (the "**System**") We grant to persons who meet our qualifications and are willing to undertake the investment and effort, a franchise to own and operate a CHURROHOLIC® Restaurant offering the products and services we authorize and approve and utilizing the Marks and the System (the "**Franchise**") You have applied for a Franchise to own and operate a CHURROHOLIC® Restaurant

1 2 **Acknowledgments** You acknowledge and agree that

(a) you have read this Agreement and our Franchise Disclosure Document,

(b) you understand and accept the terms, conditions and covenants contained in this Agreement as being reasonably necessary to maintain our high standards of quality and service and the uniformity of those standards at each CHURROHOLIC® Restaurant and to protect and preserve the goodwill of the Marks,

(c) you have conducted an independent investigation of the business venture contemplated by this Agreement and recognize that, like any other business, the nature of the business conducted by a CHURROHOLIC® Restaurant may evolve and change over time,

(d) an investment in a CHURROHOLIC® Restaurant involves business risks,

(e) your business abilities and efforts are vital to the success of the venture,

(f) any information you acquire from other CHURROHOLIC® Restaurant franchisees relating to their sales, profits or cash flows does not constitute information obtained from us, nor do we make any representation as to the accuracy of any such information,

(g) in all of their dealings with you, our officers, directors, employees and agents act only in a representative, and not in an individual, capacity All business dealings between you and such persons as a result of this Agreement are solely between you and us, and

(h) we have advised you to have this Agreement reviewed and explained to you by an attorney

1 3. **Representations** You represent to us, as an inducement to our entry into this Agreement, that all statements you have made and all materials you have submitted to us in connection with your purchase of the Franchise are accurate and complete and that you have made no misrepresentations or material omissions in obtaining the Franchise We have approved your request to purchase a Franchise in reliance on all of your representations

1 4 **No Warranties** We expressly disclaim the making of, and you acknowledge that you have not received or relied upon, any warranty or guaranty, express or implied, as to the revenues, sales, profits or success of the business venture contemplated by this Agreement or the extent to which we will continue to develop and expand the network of CHURROHOLIC® Restaurants You acknowledge and understand the following

(a) any statement regarding the potential or probable revenues, sales or profits of the business venture are made solely in the Franchise Disclosure Document delivered to you prior to signing this Agreement,

(b) any statement regarding the potential or probable revenues, sales or profits of the business venture or statistical information regarding any existing CHURROHOLIC® Restaurant owned by us or our affiliates or that is not contained in our Franchise Disclosure Document is unauthorized, unwarranted and unreliable and should be reported to us immediately, and

(c) you have not received or relied on any representations about us or our franchising program or policies made by us, or our officers, directors, employees or agents, that are contrary to the statements made in our Franchise Disclosure Document or to the terms of this Agreement If there are any exceptions to any of the foregoing, you must (i) immediately notify our chief executive officer, and (ii) note such exceptions by attaching a statement of exceptions to this Agreement prior to signing it

1 5 **Delegation of Performance** We may delegate the performance of any portion or all of our obligations under this Agreement to third parties, whether they are our agents or independent contractors with whom we have contracted to perform these obligations If we do so, such third parties will be obligated to perform the delegated functions for you in compliance with this Agreement

1 6 **Business Organization** If you are at any time a business organization ("**Business Entity**") (like a corporation, limited liability company or partnership) you agree and represent that

(a) you have the authority to execute, deliver and perform your obligations under this Agreement and are duly organized or formed and validly existing in good standing under the laws of the state of your incorporation or formation,

(b) your organizational or governing documents will recite that the issuance and transfer of any ownership interests in you are restricted by the terms of this Agreement, and all certificates and other documents representing ownership interests in you will bear a legend referring to the restrictions of this Agreement,

(c) the Principal Owners Statement will completely and accurately describe all of your owners and their interests in you A copy of our current form of Principal Owners Statement is attached to the Franchise Disclosure Document,

(d) you and your owners agree to revise the Principal Owners Statement as may be necessary to reflect any ownership changes and to furnish such other information about your organization or formation as we may request (no ownership changes may be made without our approval),

(e) each of your owners during the term of this Agreement will sign and deliver to us our standard form of Principal Owner's Guaranty undertaking to be bound jointly and severally by all provisions of this Agreement and any other agreements between you and us A copy of our current form of Principal Owners Guaranty is attached to the Franchise Disclosure Document, and

(f) at our request, you will furnish true and correct copies of all documents and contracts governing the rights, obligations and powers of your owners and agents (like articles of incorporation or organization and partnership, operating or shareholder agreements)

2 <u>GRANT AND TERM</u>

2.1. **<u>Grant of Franchise</u>** You have applied for a Franchise to own and operate a CHURROHOLIC® Restaurant only at a location we have accepted (the "**Site**") Subject to the terms of and upon the conditions contained in this Agreement, we grant you a Franchise to (a) operate a CHURROHOLIC® Restaurant at the Site, and at no other location, (b) use the Marks in connection with operating the Restaurant, and (c) use the System in its operation The term of the Franchise and this Agreement begins on the Agreement Date and expires 10 years from such date This Agreement may be terminated before it expires in accordance with its terms We grant you the right to an exclusive territory

You agree that you will at all times faithfully, honestly and diligently perform your obligations, continuously exert your best efforts to promote and enhance the Restaurant and not engage in any other business or activity that conflicts with your obligations to operate the Restaurant in compliance with this Agreement You may not operate the Restaurant from any location other than the Site without our prior written consent You must not engage in delivery services or catering without our written consent If we consent to the Restaurant's relocation, you must pay us a relocation fee (the "**Relocation Fee**") equal to 10% of our then-current initial franchise fee

2.2. **<u>Trade Area</u>** The Trade Area of a CHURROHOLIC® Restaurant generally consists of the Site and the geographic area within a 1-mile radius (the "**Trade Area**") around the Site We will not approve a Site within the Trade Area of any other CHURROHOLIC® Restaurant, whether it is franchised or owned by us As long as you are in compliance with this Agreement, we will not grant a franchise for, nor ourselves operate, a CHURROHOLIC® Restaurant located within your Trade Area

2 3 **<u>Rights We Reserve</u>** We reserve all rights not expressly granted to you pursuant to this Agreement Nevertheless, except as expressly granted above, we (and our affiliates) retain all rights with respect to CHURROHOLIC® Restaurants, the Marks, the sale of similar or dissimilar products and services, and any other activities we (and our affiliates) deem appropriate wherever and whenever we determine, including, without limitation, the right to

(a) solicit prospective Franchisees and grant other persons Franchises, or other rights to operate CHURROHOLIC® Restaurants through national or regional advertising, trade shows or conventions, or using or through the Internet, Intranet or other forms of e-commerce or through similar means,

(b) own or operate, or grant others the right to own or operate, CHURROHOLIC® Restaurants at a captive audience location, such as an airport, enclosed shopping mall, large manufacturing plant or university campus anywhere, including your Trade Area,

(c) own and operate CHURROHOLIC® Restaurants ourselves or through affiliates anywhere, except your Trade Area,

(d) sell, solicit, recruit and provide services for CHURROHOLIC® Restaurants or any franchised business not defined as a CHURROHOLIC® Restaurant in this Agreement,

(e) sell, and provide the products and/or services authorized for sale by, CHURROHOLIC® Restaurants under the Marks or other trade names, trademarks, service marks and commercial symbols through similar or dissimilar channels (like telephone, mail order, kiosk, co-branded sites and sites located within other retail businesses, Intranet, Internet, websites, wireless, email or other forms of e-commerce), including the sale and distribution of food products in grocery and other retail stores, for distribution within and outside of your Trade Area and pursuant to such terms and conditions as we consider appropriate,

(f) acquire the assets or ownership interest of one or more businesses providing products and services similar to those provided at CHURROHOLIC® Restaurants, and franchising, licensing or creating similar arrangements with respect to these businesses once acquired, wherever these businesses (or the franchisees or licensees of these businesses) are located or operating (including in your Trade Area),

(g) be acquired (whether through acquisition of assets, ownership interest or otherwise, regardless of the form of transaction), buy a business providing products and services similar to those provided at CHURROHOLIC® Restaurants, or by another business, even if such business operates, franchises and/or licenses Competitive Businesses in the Trade Area,

(h) conduct all internet-related, e-commerce, social media and related communications relating to the operation of CHURROHOLIC® Restaurants or the selling of products and services offered at any of the CHURROHOLIC® Restaurants In this connection, we will have the sole right to establish one or more websites that contain any of the Marks, or that advertise, market or promote any of the services that we authorize for CHURROHOLIC® Restaurants You agree to follow our rules and policies with respect to the use of the internet and social media, both for advertising and marketing, and for the conducting of electronic commerce We may engage in internet and any e-commerce, marketing, promotion and operation, even if those activities affect customer relationships within your Trade Area,

(i) offer, promote and perform delivery and catering services, whether or not using the Marks, anywhere, and

(j) solicit prospective franchisees for, and own and operate, businesses and restaurants of any other kind or nature, anywhere

2 4 **Business Judgment** Because complete and detailed uniformity under many varying conditions might not be possible or practical, you acknowledge that we specifically reserve the right and privilege, as we deem appropriate according to our business judgment, and subject to reasonable

deviations, to vary System Standards or other aspects of the System for any franchise owner You have no right to require us to grant you a similar variation or accommodation

3 SITE SELECTION AND DEVELOPMENT

3 1 **Site Selection** If you have not done so prior to signing this Agreement, you (with or without our assistance) must, within 90 days of signing this Agreement, locate a location for your Restaurant (the "**Site**") that we (in our reasonable discretion) have accepted The Site must meet our criteria for demographic characteristics, traffic patterns, parking, character of neighborhood, competition from and proximity to other businesses and other CHURROHOLIC® Restaurants, the nature of other businesses in proximity to the Site and other commercial characteristics and the size, appearance and other physical characteristics of the proposed Site, and any other factors or characteristics that we consider appropriate Our criteria, and our evaluation of them, may vary periodically and from location to location You must send us a complete Site report (containing the demographic, commercial and other information, photographs and video recordings that we may reasonably require) for your proposed Site We may accept or reject all proposed Sites in our commercially reasonable judgment We will accept or reject a Site you propose for a Restaurant within 30 days after we receive from you a complete Site report and any other materials we request Your Site is deemed rejected if we fail to issue our written acceptance within the 30-day period You acknowledge and agree that

(a) our recommendation or acceptance of the Site, and any information regarding the Site communicated to you, do not constitute a representation or warranty of any kind, express or implied, as to the suitability of the Site for a CHURROHOLIC® Restaurant or for any other purpose,

(b) our recommendation or acceptance of the Site indicates only that we believe that the Site falls within the acceptable criteria for sites that we have established as of the time of our recommendation or acceptance of the Site,

(c) application of criteria that have appeared effective with respect to other sites may not accurately reflect the potential for all sites, and, after our acceptance of a Site, demographic and/or other factors included in or excluded from our criteria could change to alter the potential of a Site, and

(d) the uncertainty and instability of such criteria are beyond our control, and we will not be responsible for the failure of a Site we have recommended or accepted to meet expectations as to potential revenue or operational criteria

3 2 Lease of Site

(a) **Lease of Site** You must deliver copies of the proposed lease agreement and related documents to us prior to signing them You must not sign any lease agreement or related documents unless we have previously approved them The insurance policy required by our System Standards must be in force and effect when the lease is signed Our review and approval is designed to ensure that the lease contains terms that we accept or require for our benefit and the franchise system, it is not a substitute for careful review and analysis by you and your advisors Additionally, before entering into such a lease, you and the lessor must sign our then-current form of Conditional Assignment of Lease Agreement (the "**Conditional Assignment**") You must give the lessor our forms of the Conditional Assignment when you begin discussions with the prospective lessor If you want to lease the Site from any of your affiliates (or affiliates of your principal owners), we may also require them to sign such agreements to ensure compliance with the provisions of this Agreement

(b) **Lease Approval** You must

(i) obtain our approval of the lease of the Site before you sign it, or any renewal of it,

(ii) deliver a copy of the signed lease to us within 15 days after its execution along with the Conditional Assignment, and

(iii) not sign any lease or renewal of a lease unless you have also obtained the Conditional Assignment signed by the lessor

(c) **Mandatory Lease Terms** We may require that the lease or any renewal contain certain provisions, including the following

(i) a provision which expressly permits the lessor of the Site to provide us with all revenue and other information it may have related to the operation of your CHURROHOLIC® Restaurant as we may request,

(ii) a provision which requires the lessor to contemporaneously provide us with copies of any written notice of default under the lease sent to you and which grants to us, at our option, the right (but not the obligation) to cure any default under the lease (should you fail to do so) within 15 days after the expiration of the period in which you may cure the default,

(iii) a provision which evidences your right to display the Marks in accordance with the specifications required by the Manuals, subject only to the provisions of applicable law,

(iv) a provision which requires that any lender or other person will not disturb your possession of the Site so long as the lease term continues and you are not in default (along with such documents as are necessary to ensure that such lenders and other persons are bound),

(v) a provision which expressly states that any default under the lease which is not cured within any applicable cure period also constitutes grounds for termination of this Agreement,

(vi) a lease term which is at least equal to the initial term of this Agreement, either through an initial term of that length or rights, at your option, to renew the lease for the full term of this Agreement,

(vii) limitation on the Landlord from leasing space to house a Competitive Restaurant,

(viii) a provision in which the Landlord agrees that the use of Site will be limited to the operation of a franchised CHURROHOLIC® Restaurant, and agrees to our then-current standards for lease agreements for CHURROHOLIC® Restaurants including allowing the signage standards, designated spots for pick-ups and delivery vehicles, minimum number of parking spaces devoted to the Restaurant, outside seating, and

(ix) a provision that allows us to obtain entry onto the Site to ensure that all de-identification standards in this Agreement are fulfilled in case you do not or are unable to do so, at our expense, including removal of signage and fixtures

(d) **No Warranty** You acknowledge that our approval of the lease for the Site does not constitute a guarantee or warranty, express or implied, of the successful operation or profitability of a CHURROHOLIC® Restaurant operated at the Site Such approval indicates only that we believe that the Site and the terms of the lease fall within the acceptable criteria we have established as of the time of our approval You further acknowledge that we have advised you to have an attorney review and evaluate the lease

3 3 Ownership and Financing Instead of leasing a Site, you may propose to purchase and own any or all of a Site directly, or through affiliates The insurance required by our System Standards must be in force and effect when you begin construction of your Restaurant You must meet certain conditions if you or your affiliates own a Site, if at any time prior to acquisition, or subsequently, you or your affiliates propose to obtain any financing with respect to the Site or for your CHURROHOLIC® Restaurant or for any Operating Assets in which any of such items are pledged as collateral securing your performance, the form of any purchase contract with the seller of a Site and any related documents, and the form of any loan agreement with or mortgage in favor of any lender and any related documents, must be approved by us before you sign them Our consent to them may be conditioned upon the inclusion of various terms and conditions, including the following

(a) a provision which requires any lender or mortgagee concurrently to provide us with a copy of any written notice of deficiency or default under the terms of the loan or mortgage sent to you or your affiliates or the purchaser,

(b) a provision granting us, at our option, the right (but not the obligation) to cure any deficiency or default under the loan or mortgage (should you fail to do so) within 15 days after the expiration of a period in which you may cure such default or deficiency, and

(c) a provision which expressly states that any default under the loan or mortgage, if not cured within the applicable time period, constitutes grounds for termination of this Agreement and any default under this Agreement, if not cured

4 RESTAURANT DEVELOPMENT, DECOR AND OPERATING ASSETS

4 1 Restaurant Development You are responsible for developing the Restaurant We, or our designees, may, at any time and from time to time (but in no way limited or affecting your responsibility for developing the Restaurant) provide certain support and assistance in the development and start-up of your Restaurant This assistance may include critical path management oversight and assistance, vendor support and other periodic support in connection with the opening of the Restaurant and the start-up of operations

(a) We will furnish you with mandatory and suggested specifications and layouts for a CHURROHOLIC® Restaurant, including requirements for dimensions, design, color scheme, image, interior layout, decor, and Operating Assets which include fixtures, equipment, signs, furnishings, and color scheme These plans might not reflect the requirement of any federal, state or local law, code or regulation, including those arising under the Americans with Disabilities Act (the "**ADA**") or similar rules governing public accommodations for persons with disabilities It is your responsibility to prepare a site survey and all required construction plans and specifications to suit the Site and to make sure that these plans and specifications comply with the ADA and similar rules governing public accommodations for persons with disabilities, other applicable ordinances, building codes, permit requirements and lease requirements and restrictions You are obligated, at your expense, to have an architect designated or approved by us prepare all required construction plans and specifications, based on our design drawings and specifications, to suit the shape and dimensions of the Site and to ensure that such plans and specifications comply with applicable ordinances, building codes and permit requirements and with lease requirements and restrictions You must at your expense use construction contractors designated or approved by us You will not engage any such firm that we have not approved If we or our affiliates serve as the contractor to build-out the Restaurant or otherwise supervise the Restaurant's development, we or our affiliates will have the right to receive a fee in connection with such services You must send us construction plans and specifications for review before you begin constructing the Restaurant and at the points of 50% and 95% completion, and all revised or "as-built" plans and specifications during construction Because our review is limited to ensuring your compliance with our design requirements, we will not assess compliance with federal, state or local laws and regulations, including the ADA, OSHA and state and local environmental requirements and building codes, as compliance with these laws is your responsibility We may inspect the Site while you are developing the Restaurant

(b) You agree, at your own expense, to do the following with respect to developing the Restaurant at the Site

(i) secure all financing required to develop and operate the Restaurant,

(ii) obtain all building, utility, sign, health, sanitation, business and other permits and licenses required to construct and operate the Restaurant,

(iii) construct (the "**Construction**") all required improvements to the Site and decorate the Restaurant in compliance with plans and specifications we have approved,

(iv) you must give us notice of commencement of the Construction within 14 days of the date it began, with progress reports at least every other week, thereafter,

(v) the Construction must be completed within 180 of our approval of the Site,

(vi) sign a lease or otherwise obtain the right to occupy the Site within 180 days of the Agreement Date,

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

(viii) purchase or lease and install all Operating Assets required for the Restaurant, and

(ix) purchase an opening inventory of authorized and approved products, materials and supplies

4 2 <u>**Décor**</u> You agree that all decor of your CHURROHOLIC® Restaurant must be previously approved by us and must comply with our standards as described in the Manuals or other communications, which may be periodically revised Your failure to maintain the Restaurant's decor in compliance with our System and the standards described in the Manuals or otherwise constitutes a material breach of this Agreement

4 3 **Restaurant Opening** You agree not to open the Restaurant for business until

(a) we approve the Restaurant as developed in accordance with our specifications and standards,

(b) pre-opening training has been completed to our satisfaction and we have scheduled an Opening Team to supervise the opening of your Restaurant,

(c) the initial franchise fee and all other amounts then due to us have been paid,

(d) we have been furnished with copies of all insurance policies required by this Agreement, or such other evidence of insurance coverage and payment of premiums as we request or accept, and

(e) we have received signed counterparts of all required documents pertaining to your acquisition of the Site

You agree to open the Restaurant for business within 12 months of the Agreement Date and within 15 days after we notify you that the above conditions have been satisfied, but in no event later than the time required by any other agreement you have with us

4 4 **Grand Opening Contribution** Unless otherwise required by applicable state law, you will pay to us an amount to be used to pay for your Grand Opening marketing program in accordance with the Grand Opening marketing budget and plan you and we develop (the "**Grand Opening Contribution**") The Grand Opening Contribution will initially be $7,500 due and payable in full on the Agreement Date If, for any reason, applicable state law does not permit us to collect the Grand Opening Contribution in full on the Agreement Date, then you will pay our approved vendors and service providers for their products and services furnished in accordance with the Grand Opening marketing program at the times when due based on invoices presented to you Timing of payment is of the essence and your failure to do so will be a material breach of this Franchise Agreement At our option, we may pay the vendors and service providers on your behalf and if we do so you must pay us the amounts we have advanced within 15 days

5 FEES.

5 1 **Initial Franchise Fee** You agree to pay us a nonrecurring and nonrefundable initial franchise fee in the amount of $40,000 If this is your second Restaurant, the initial franchise fee is $30,000 If this is your third or subsequent Restaurant, the initial franchise fee is $20,000 The initial franchise fee must be paid on the Agreement Date The initial franchise fee is nonrefundable and is fully earned by us when paid If you and we are unable to agree on a location for the Site, or you have not obtained a fully signed lease agreement for the Site, within 120 days of the Agreement Date, we may terminate this Agreement If this Agreement is terminated for any reason, you will sign a general release, in form satisfactory to us, of any and all claims against us and our shareholders, officers, directors, employees and agents

5 2. **Store Opening Fee** You agree to pay us a nonrecurring and nonrefundable Store Opening Fee (the "**Store Opening Fee**") in the amount of $15,000 If this is your second or subsequent Restaurant, the Store Opening Fee is $10,000 The Store Opening Fee must be paid on the Agreement Date The Store Opening Fee is nonrefundable and is fully earned by us when paid

5 3 **Royalty** You agree to pay us a royalty ("**Royalty**") in the amount of 6% of your Restaurant's Gross Sales during each week On Wednesday of each calendar week (the "**Report Day**"), you must report the amount of your Gross Sales for the preceding calendar week You must pay us the Royalty so that we receive it on or before Wednesday of each calendar week (the "**Payment Day**") for the immediately preceding calendar week

5 4 **Electronic Funds Transfer** We may require you to pay the Royalties to us by electronic funds transfer on the Payment Day You must comply with the procedures we specify in our Manuals and perform such acts and sign and deliver such documents as may be necessary to accomplish payment by this method On the Report Day, you must report to us by telephone or electronic means or on written form, as we direct, the Restaurant's true and correct Gross Sales for the immediately preceding calendar week We may require you to give us authorization, in a form that we designate, to initiate debit entries or credit correction entries to the Restaurant's bank operating account (the "**Account**") for payments of Royalties and other amounts due under this Agreement, including any applicable interest charges If so, you must make the funds available in the Account for withdrawal by electronic transfer no later than the Payment Day The amount actually transferred from the Account to pay Royalties will be based on the Restaurant's Gross Sales reported to us on the Report Day If you have not reported the Restaurant's Gross Sales to us for any reporting period, we may transfer from the Account an amount calculated in accordance with our reasonable estimate of the Restaurant's Gross Sales during any such reporting period If we determine at any time that you have under-reported Gross Sales or underpaid Royalties or other amounts due to us, we will be authorized to immediately initiate a transfer from the Account in the appropriate amount in accordance with the foregoing procedures, including applicable interest and late charges Any overpayment will be credited to the Account through a credit, effective as of the first Report Day after you and we determine that such credit is due

5 5 **Definition of "Gross Sales"** As used in this Agreement, the term "**Gross Sales**" means the total actual gross charges for all products (food and non-food) and services sold to customers of the Restaurant for cash or credit, whether these sales are made at or from the Restaurant Site, or any other location, but excluding coupon discounts required by us All employee discounted meals and owner complimentary meals provided by you must be included in the definition of Gross Sales at the full retail price charged by you to customers for such meals Provided, however, that any amounts that you collect and transmit to state or local authorities as sales, use or other similar taxes are excluded from the definition of Gross Sales

5 6 **Interest on Late Payments** All amounts which you owe us will bear interest after their due date at the annual rate of 15% You acknowledge that we do not agree to accept any payments after they are due nor commit to extend credit to, or otherwise finance your operation of, the Restaurant Your failure to pay all amounts when due constitutes grounds for termination of this Agreement

5 7 **Insufficient Funds Charge** You agree to pay on demand an insufficient funds charge of $50 for each dishonored check you tender to us or if you do not have sufficient funds in your account when we attempt an electronic funds withdrawal

5 8. **Application of Payments** Notwithstanding any designation you might make, we have sole discretion to apply any of your payments to any of your past due indebtedness to us You acknowledge and agree that we have the right to set off any amounts you or your owners owe us against any amounts we might owe you or your owners

5 9 **Payment Offsets** We may set off from any amounts that we may owe you any amount that you owe to us, or our affiliates, for any reason whatsoever, including without limitation, Royalties, Marketing Contributions, late payment penalties and late payment interest, amounts owed to us or our affiliates for purchases or services or for any other reason Thus, payments that we make to you may be

reduced, in our discretion, by amounts that you owe to us or our affiliates from time to time In particular, we may retain (or direct to our affiliates) any amounts that we have received for your account as a credit and payment against any amounts that you may owe to us, or our affiliates, at any time We may do so without notice to you at any time However, you do not have the right to offset payments owed to us for amounts purportedly due to you from us

5.10. Discontinuance of Service If you do not timely pay amounts due us under this Agreement, we may discontinue any services to you, without limiting any of our other rights in this Agreement

6 TRAINING AND ASSISTANCE

6.1 Initial Training Before the Restaurant opens, we will furnish initial training on the operation of a CHURROHOLIC® Restaurant to you and 2 other persons (or, if you are a Business Entity, up to 3 of your owners) We may charge a fee up to $1,000 for each person over 3 that attends the initial training at any time The training lasts for approximately 2 weeks and will be furnished at our designated training facility and/or at an operating CHURROHOLIC® Restaurant, as we specify You, or your owners, and your Certified Manager, are required to complete the initial training to our satisfaction Successful completion of the initial training program by you, your Certified Manager, or your owners, is a condition to the opening of the CHURROHOLIC® Restaurant to the public Training must be completed at least 15 days prior to opening You also are required to participate in all other activities required to operate the Restaurant You agree to replace an employee if we determine that they are not qualified to serve at the Restaurant If we determine that you, your Certified Manager, or your owners, are unable to complete initial training to our satisfaction, we have the right to terminate this Agreement

6 2 Opening Assistance We, at our cost, will provide you with the services of up to 4 personnel (the "**Opening Team**") for a period of 6 days for supervisory assistance and guidance in connection with the opening and initial operation of your CHURROHOLIC® Restaurant We have the right to determine the time or times at which the Opening Team will be available to you, but will not do so until after your receipt of a certificate of occupancy for your CHURROHOLIC® Restaurant and its delivery of a copy of such certificate to us In the event that you need and request additional opening assistance, and we approve such request, you will pay all costs and expenses of the Opening Team, for as long as it assists at your CHURROHOLIC® Restaurant The Opening Team will be selected by us and its personnel are subject to change or removal by us in our sole discretion

6 3 Additional Training If you request additional training and we, in our sole discretion, agree to provide such additional training, then you must pay us an additional training fee ("**Additional Training Fee**") of $500 per trainer, plus reasonable out-of-pocket expenses, including but not limited to travel, lodging and meals

6.4 Periodic Training If we require you, or your owners, to attend periodic refresher training courses at such times and locations that we designate, then you must pay us $500 per person (the "**Ongoing Training Fee**") plus reasonable out-of-pocket expenses, including but not limited to travel, lodging and meals You agree to give us reasonable assistance in training other CHURROHOLIC® Restaurant franchisees We will reimburse you for your reasonable out-of-pocket expenses in providing such assistance

6 5. General Guidance We will advise you from time to time regarding the operation of the Restaurant based on reports you submit to us or inspections we make In addition, we will furnish guidance to you with respect to

(a) standards, specifications and operating procedures, and methods utilized by CHURROHOLIC® Restaurants,

(b) purchasing required fixtures, furnishings, equipment, signs, products, materials and supplies and arranging for their distribution to you,

(c) recipes, food preparation methods, and menu items,

(d) use of suppliers, approved products, volume buying,

(e) advertising and marketing materials and programs,

(f) employee training, and

(g) administrative, bookkeeping and accounting procedures

Such guidance will, at our discretion, be furnished in our Manual, in bulletins or other written materials, by electronic media and/or during telephone consultations and/or consultations at our office or the Restaurant

At your request, we will furnish additional guidance and assistance and, in such a case, may charge the per diem fees and charges we establish from time to time If you request or we require additional or special training for your employees, all of the expenses that we incur in connection with such training, including per diem charges and travel and living expenses for our personnel, will be your responsibility

7 **MARKS.**

7 1 **Ownership and Goodwill of Marks** Your right to use the Marks is derived solely from this Agreement and limited to your operation of the Restaurant at the Site pursuant to and in compliance with this Agreement and all System Standards we prescribe from time to time during its term Your unauthorized use of the Marks will be a breach of this Agreement and an infringement of our rights in and to the Marks You acknowledge and agree that your usage of the Marks and any goodwill established by such use will be exclusively for our benefit and that this Agreement does not confer any goodwill or other interests in the Marks upon you (other than the right to operate the Restaurant in compliance with this Agreement) All provisions of this Agreement applicable to the Marks apply to any additional proprietary trade and service marks and commercial symbols we authorize you to use

7 2 **Limitations on Your Use of Marks** You agree to use the Marks as the sole identification of the Restaurant, except that you agree to identify yourself as the independent owner in the manner we prescribe You may not use modifying words, terms, designs or symbols (other than logos we license to you), or in any modified form, nor may you use any Mark in connection with the performance or sale of any unauthorized services or products or in any other manner we have not expressly authorized in writing No Mark may be used in any advertising concerning the transfer, sale or other disposition of the Restaurant or an ownership interest in you You agree to display the Marks prominently in the manner we prescribe at the Restaurant, on supplies or materials we designate and in connection with forms and advertising and marketing materials You agree to give such notices of trade and service mark registrations as we specify and to obtain any fictitious or assumed name registrations required under applicable law

7 3 **Notification of Infringements and Claims** You agree to notify us immediately of any apparent infringement or challenge to your use of any Mark, or of any claim by any person of any rights

in any Mark, and you agree not to communicate with any person other than us, our attorneys and your attorneys in connection with any such infringement, challenge or claim We have sole discretion to take such action as we deem appropriate and the right to control exclusively any litigation, U S Patent and Trademark Office proceeding or any other administrative proceeding arising out of any such infringement, challenge or claim or otherwise relating to any Mark You agree to sign any and all instruments and documents, render such assistance and do such acts and things as, in the opinion of our attorneys, may be necessary or advisable to protect and maintain our interests in any litigation or Patent and Trademark Office or other proceeding or otherwise to protect and maintain our interests in the Marks

7 4 **Discontinuance of Use of Marks** If it becomes advisable at any time in our sole discretion for us and/or you to modify or discontinue the use of any Mark and/or use one or more additional or substitute trade or service marks, you agree to comply with our directions within a reasonable time after receiving notice We will not reimburse you for any loss of revenue attributable to any modified or discontinued Mark or for any expenditures you make to promote a modified or substitute trademark or service mark

7 5 **Indemnification** We will indemnify you against and reimburse you for all damages for which you are held liable to third parties in any proceeding arising out of your authorized use of any of our Marks, pursuant to and in compliance with this Agreement, resulting from claims by third parties that your use of any of the Marks infringes their trademark rights, and for all costs you reasonably incur in the defense of any such claim in which you are named as a party, so long as you have timely notified us of the claim and have otherwise complied with the terms of this Agreement We will not indemnify you against the consequences of your use of the Marks except in accordance with the requirements of this Agreement You must provide written notice to us of any such claim within 10 days of your receipt of such notice and you must tender the defense of the claim to us We will have the right to defend any such claim and if we do so, we will have no obligation to indemnify or reimburse you for any fees or disbursements of any attorney retained by you If we elect to defend the claim, we will have the right to manage the defense of the claim including the right to compromise, settle or otherwise resolve the claim, and to determine whether to appeal a final determination of the claim

8 CONFIDENTIAL INFORMATION.

8 1. **Types of Confidential Information** We possess (and will continue to develop and acquire) certain confidential information (the "**Confidential Information**") relating to the development and operation of CHURROHOLIC® Restaurants, which includes (without limitation)

(a) the System and the know-how related to its use,

(b) plans, specifications, size and physical characteristics of CHURROHOLIC® Restaurants,

(c) site selection criteria, land use and zoning techniques and criteria,

(d) methods in obtaining licensing and meeting regulatory requirements,

(e) sources and design of equipment, furniture, forms, materials and supplies,

(f) marketing, advertising and promotional programs for CHURROHOLIC® Restaurants,

(g) staffing and delivery methods and techniques for personal services,

(h) the selection, testing and training of personnel for CHURROHOLIC® Restaurants,

(i) the recruitment, qualification and investigation methods to secure employment for employment candidates,

(j) any computer software we make available or recommend for CHURROHOLIC® Restaurants,

(k) methods, techniques, formats, specifications, procedures, information and systems related to and knowledge of and experience in the development, operation and franchising of CHURROHOLIC® Restaurants,

(l) knowledge of specifications for and suppliers of certain products, materials, supplies, furniture, furnishings and equipment,

(m) recipes, formulas, preparation methods and serving techniques, and

(n) knowledge of operating results and financial performance of CHURROHOLIC® Restaurants other than those operated by you (or your affiliates)

8 2 <u>Disclosure and Limitations on Use</u> We will disclose much of the Confidential Information to you and personnel of the Restaurant by furnishing the Manuals to you and by providing training, guidance and assistance to you In addition, in the course of the operation of your Restaurant, you or your personnel may develop ideas, concepts, methods, menu items, preparation or serving techniques or improvements ("**Improvements**") relating to your Restaurant, which you agree to disclose to us We will be deemed to own the Improvements and may use them and authorize you and others to use them in the operation of CHURROHOLIC® Restaurants By this paragraph, you assign ownership of any Improvements, and all related rights to that Improvement to us and agree to take whatever action (including signing assignment, foreign or domestic registrations, applications or notifications, or other documents) we request to evidence our ownership or to help us obtain intellectual property rights in such Improvement Improvements will then also constitute Confidential Information

8 3. <u>Confidentiality Obligations</u> You agree that your relationship with us does not vest in you any interest in the Confidential Information other than the right to use it in the development and operation of your Restaurant, and that the use or duplication of the Confidential Information in any other business would constitute an unfair method of competition You acknowledge and agree that the Confidential Information is proprietary, includes trade secrets belonging to us and is disclosed to you or authorized for your use solely on the condition that you agree, and you therefore do agree, that you

(a) will not use the Confidential Information in any other business or capacity,

(b) will maintain the absolute confidentiality of the Confidential Information during and after the term of this Agreement,

(c) will not make unauthorized copies of any portion of the Confidential Information disclosed via electronic medium, in written form or in other tangible form, including, for example, the Manuals, and

(d) will adopt and implement all reasonable procedures we may prescribe from time to time to prevent unauthorized use or disclosure of the Confidential Information, including, restrictions on disclosure to your employees and the use of nondisclosure and noncompetition agreements we may prescribe for employees or others who have access to the Confidential Information

8 4 **Exceptions to Confidentiality** The restrictions on your disclosure and use of the Confidential Information will not apply to the following

(a) disclosure or use of information, processes, or techniques which are generally known and used in the restaurant business (as long as the availability is not because of a disclosure by you), provided that you have first given us written notice of your intended disclosure and/or use, and

(b) disclosure of the Confidential Information in judicial or administrative proceedings when and only to the extent you are legally compelled to disclose it, provided that you have first given us the opportunity to obtain an appropriate protective order or other assurance satisfactory to us that the information required to be disclosed will be treated confidentially

9 EXCLUSIVE RELATIONSHIP You acknowledge and agree that we would be unable to protect Confidential Information against unauthorized use or disclosure or to encourage a free exchange of ideas and information among CHURROHOLIC® Restaurants if franchised owners of CHURROHOLIC® Restaurants were permitted to hold interests in or perform services for a Competitive Business (defined below) You also acknowledge that we have granted the Franchise to you in consideration of and reliance upon your agreement to deal exclusively with us You agree that, during the term of this Agreement, neither you nor any of your owners (nor any of your or your owners' spouses or children) will

(a) have any direct or indirect controlling interest as a disclosed or beneficial owner in a Competitive Business, wherever located,

(b) have any direct or indirect interest as a disclosed or beneficial owner in a Competitive Business operating within 10 miles of the Site,

(c) have any direct or indirect interest as a disclosed or beneficial owner in a Competitive Business operating within 10 miles of any CHURROHOLIC® Restaurant other than the Restaurant,

(d) perform services as a director, officer, manager, employee, consultant, representative, agent or otherwise for a Competitive Business, wherever located, or

(e) recruit or hire any person who is our employee or the employee of any CHURROHOLIC® Restaurant without obtaining the prior written permission of that person's employer

The term "**Competitive Business**" as used in this Agreement means any business or facility owning, operating or managing, or granting franchises or licenses to others to do so, any restaurant or food service facility that is the same or similar to a CHURROHOLIC® Restaurant or that offers churros and/or boca tea for 10% or more or that features Asian cuisine for 25% or more, of its menu offerings (other than a CHURROHOLIC® Restaurant operated under a franchise agreement with us)

10 OPERATION AND SYSTEM STANDARDS

10 1 <u>Operations Manual</u> We will grant you access, during the term of this Agreement, to our manuals (the "**Manuals**"), consisting of such materials (including, as applicable, audiotapes, videotapes, magnetic media, computer software and written materials) that we generally furnish to franchisees from time to time for use in operating a CHURROHOLIC® Restaurant We may do so with print versions or electronically only The Manuals contain mandatory and suggested specifications, standards, operating procedures and rules ("**System Standards**") that we prescribe from time to time for the operation of a CHURROHOLIC® Restaurant and information relating to your other obligations under this Agreement and related agreements You agree to follow the standards, specifications and operating procedures we establish periodically for the CHURROHOLIC® System that are described in the Manuals You also must comply with all updates and amendments to the CHURROHOLIC® System as described in newsletters or notices we distribute, including via computer systems You must maintain the Manuals as confidential and maintain the information in the Manuals as secret and confidential The Manuals may be modified, updated and revised from time to time to reflect changes in System Standards

At our option, we may post some or all of the Manuals and/or other documentation and communication of standards, policies and procedures, on a restricted Website or extranet to which you will have access "**Website**" means an interactive electronic document contained in a network of computers linked by communications software, including the internet and world wide web home pages) If we do so, you agree to monitor and access the Website or extranet for any updates to the Manuals or System Standards We, or our designee, will periodically notify you electronically about updates, changes, or deletions to the content posted on the restricted Website or extranet We or they will not issue, nor will you receive, any updates, changes, or deletions to this content in hard copy form Any passwords or other digital identifications necessary to access the Manuals on a Website or extranet will be deemed to be part of Confidential Information

You agree to keep your copy of the Manuals full, complete and current and in a secure location at the Restaurant In the event of a dispute relating to its contents, the master copy of the Manuals we maintain at our principal office will be controlling You may not at any time copy, duplicate, record or otherwise reproduce any part of the Manuals If your copy of the Manuals is lost, destroyed or significantly damaged, you agree to obtain a replacement copy at our then applicable charge, currently $500

10.2 <u>Compliance with System Standards</u> You acknowledge and agree that your operation and maintenance of the Restaurant in accordance with System Standards are essential to preserve the goodwill of the Marks and all CHURROHOLIC® Restaurants Therefore, at all times during the term of this Agreement, you agree to operate and maintain the Restaurant in accordance with all of our System Standards, however communicated to you and as we periodically modify and supplement them, even if you believe that a System Standard, as originally issued or subsequently modified, is not in the System's or the Restaurant's best interest Although we retain the right to establish and periodically modify System Standards that you have agreed to maintain, you retain the right to, and responsibility for, the day-to-day management and operation of the Restaurant and implementing and maintaining System Standards at the Restaurant As examples, System Standards may regulate any one or more of the following with respect to the Restaurant

(a) design, layout, decor, appearance and lighting, periodic maintenance, cleaning and sanitation, periodic remodeling, replacement of obsolete or worn-out leasehold improvements, fixtures, furnishings, equipment and signs, periodic painting, and use of interior and exterior signs, emblems, lettering and logos, and illumination,

(b) types, models and brands of required fixtures, furnishings, equipment, signs, software, materials and supplies,

(c) required or authorized products and product categories including for all food and beverage items and portions devoted to each supplier of products and other merchandise for sale at the Restaurant,

(d) designated or approved suppliers (which may be limited to or include us) of fixtures, furnishings, equipment, signs, software, products, ingredients, materials and supplies including for all food and beverage items,

(e) terms and conditions of the sale and delivery of, and terms and methods of payment for, products, materials, supplies and services, including direct labor, that you obtain from us, unaffiliated suppliers or others,

(f) sales, marketing, advertising, customer service and promotional programs and materials and media used in such programs,

(g) use and display of the Marks at the Restaurant and on any paper and plastic products or supplies (although you have sole responsibility and authority concerning employee selection and promotion, hours worked, worker eligibility, rates of pay and other benefits, work assigned, and working conditions),

(h) to the extent any of the System Standards, or other resources in the Manuals, address personnel or employment matters, those are not mandatory but are merely recommendations, suggestions or guidelines System Standards do not include any mandatory requirements on your employees' wages, working conditions, hours, staffing levels, shift timing or other terms of employment, but may specify uniforms and appearance to meet brand standards,

(i) days and hours of operation of the Restaurant,

(j) participation in market research and testing and product and service development programs,

(k) acceptance of credit and debit cards and other payment systems, and honoring and issuing gift certificates, coupons and gift cards, rewards and loyalty programs,

(l) bookkeeping, accounting, data processing and record keeping systems, including software, and forms, methods, formats, content and frequency of reports to us of sales, revenue, financial performance and condition, and furnishing tax returns and other operating and financial information to us,

(m) purchase, storage, preparation, handling and packaging procedures and techniques for Restaurant materials, products and supplies, and inventory requirements for Restaurant materials, products and supplies,

(n) terms and conditions of the sale and delivery of, and terms and methods of payment for, products and services that you obtain from us and affiliated and unaffiliated suppliers, including your obligation to purchase and use, to the maximum extent possible, and our and our affiliates' right not to sell you any products or services or to do so only on a cash-on-delivery or other basis if you are in violation of or in default under any agreement with us, and

(o) regulation of such other aspects of the operation and maintenance of the Restaurant that we determine from time to time to be useful to preserve or enhance the efficient operation, image or goodwill of the Marks and CHURROHOLIC® Restaurants

You agree that System Standards prescribed from time to time in the Manual, or otherwise communicated to you in writing or other tangible form, constitute provisions of this Agreement as if fully set forth All references to this Agreement include all System Standards as periodically modified

10 3 **Modification of System Standards** We may periodically modify System Standards, which may accommodate regional or local variations as we determine, and any such modifications may obligate you to invest additional capital in the Restaurant ("**Capital Modifications**") and/or incur higher operating costs You must make the Capital Modifications within the time frame we require Capital Modifications that require you to obtain additional or replace equipment or technology must be made immediately on notice Capital Modifications that require substantial physical modifications to your Restaurant will not be required during the first 12 months after opening your Restaurant (these would encompass items like new or replacement flooring, interior decor and color scheme (as opposed to upkeep), exterior signage, furniture Capital Modifications will not alter your fundamental status and rights under this Agreement Capital Modifications are in addition to the costs you will incur to develop, open, repair, replace or refurbish your Restaurant, equipment and fixtures from time to time Capital Modifications do not include any expenditures you must, or choose to make, in order to comply with applicable laws, governmental rules or regulations (e g , ADA compliance)

10 4 **Mystery Shopper Service** We may designate an independent evaluation service to conduct a "mystery shopper" inspection program with respect to Restaurants up to 6 times per year You agree that the Restaurant will participate in such mystery shopper program, as prescribed and required by us, provided that Restaurants owned by us, our affiliates and our franchisees also will participate in such program to the extent we have the right to require such participation, and you further agree to pay all fees related to such mystery shopper program If your Restaurant fails an inspection, the inspection program may occur more frequently

10 5 **Quality Assurance Audit Program** We may designate an independent quality assurance audit vendor to audit Restaurants up to 4 times per year You agree that the Restaurant will participate in such quality assurance audit, as prescribed and required by us, provided that Restaurants owned by us, our affiliates and our franchisees also will participate in such program to the extent we have the right to require such participation, and you further agree to pay all fees related to such quality assurance program If your Restaurant fails an inspection, the inspection program may occur more frequently

10.6 **Pricing** We reserve the right, at any time and from time to time, to establish maximum, minimum, or other pricing requirements on prices that you may charge for products or services to the fullest extent allowed by applicable law, which may include regional, special venue or demographic variations

10 7 **Interior and Exterior Upkeep** You must at all times maintain the Restaurant's interior and exterior and the surrounding area in the highest degree of cleanliness, orderliness and sanitation and comply with the requirements regarding the upkeep of the Restaurant established in the Manuals and by federal, state and local laws

10 8. **Hours of Operation** You must operate the Restaurant during the hours and on the days prescribed by us in the Manuals or otherwise approved in advance in writing by us

10 9 Accountıng, Computers and Records You must obtain your accounting services and any required hardware or software related to them in accordance with our System Standards You must at all times maintain the records reasonably specified in the Manuals, including, without limitation, sales, inventory and expense information You must report Gross Sales and other business information to us using the format, reporting system and accounting system that we require from time to time You must provide your own internet service provider You must use in developing and operating the Restaurant the computer equipment and operating and accounting software (the "**Computer System**") that we periodically specify We may require you to obtain specified computer hardware or software and may modify specifications for and components of the Computer System from time to time Our modifications and specifications for components of the Computer System may require you to incur costs to purchase, lease or license new or modified computer hardware or software and to obtain service and support for the Computer System during the term of this Agreement You agree to incur such costs in connection with obtaining the computer hardware and software comprising the Computer System (or additions or modifications), as long as the Computer System we specify for use is the same Computer System that we or our affiliates then currently use in CHURROHOLIC® Restaurants that we or they own and operate Within 7 days after you receive notice from us, you must obtain the components of the Computer System that we designate and require The Computer System must be capable of connecting with our Computer System so that we can daily review the results of your Restaurant's operations We also have the right to charge you a reasonable systems fee for modifications of and enhancements made to any proprietary software that we license to you and other maintenance and support services that we or our affiliates furnish to you related to the Computer System

10.10 Security Camera(s) You must give us full and complete access to all of your security cameras at all times in the manner we designate from time to time in our Manuals

10 11 Trade Accounts and Taxes You must maintain your trade accounts in a current status and seek to resolve any disputes with trade suppliers promptly You must timely pay all taxes incurred in connection with your Restaurant's operations If you fail to maintain your trade accounts in a current status, timely pay such taxes or any other amounts owing to any third parties or perform any non-monetary obligations to third parties, we may, but are not required to, pay any and all such amounts and perform such obligations on your behalf If we elect to do so, then you must reimburse us for such amounts You agree to repay us immediately upon receipt of our invoice We may also set-off the amount of any such reimbursement obligations against all amounts which we may owe you

10.12. Proprietary Materials You must purchase from us or approved manufacturers or suppliers all articles used in operating the Restaurant and bearing any of the Marks These items may include employee clothing (such as shirts, hats and aprons) and menus (collectively, the "**Proprietary Materials**"), at then prevailing prices, plus freight, taxes and delivery costs Our Proprietary Materials may include the message "franchising opportunities available "

10 13. Operating Assets and Restaurant Materials You must acquire all supplies, materials and food and beverage products for use in connection with your CHURROHOLIC® Restaurant (collectively, the "**Restaurant Materials**") and all fixtures, furnishings, equipment (signs, including cash registers, copiers and computer hardware and software) (the "**Operating Assets**") from us (or our affiliates), suppliers we have previously approved, or according to our standards and specifications We will only approve suppliers whose Restaurant Materials and Operating Assets meet the quality standards that we establish from time to time You will only place or display at the Site (interior and exterior) such signs, emblems, lettering, logos and display materials that we periodically approve

10 14. Sourcing Restrictions We have developed or may develop standards and specifications for types, models and brands of required Operating Assets and Restaurant Materials, which includes other products, supplies, food products, materials, signage, uniforms and other items that are utilized in the operation of CHURROHOLIC® Restaurants The Restaurant Materials may contain our proprietary Marks and information advertising for franchisees We reserve the right at any time and from time to time to approve specifications or suppliers and distributors of the above products that meet our reasonable standards and requirements, and work to designate mandatory suppliers and distributors of them (all of which may include us or our affiliates) If we do so, you agree to purchase only such products meeting those specifications, and, if we require it, only from distributors and other suppliers we have approved, including ourselves or our affiliates We may designate a single distributor or supplier (collectively, "**Designated Supplier**") for any product, service, equipment, supply or material and may approve a supplier or distributor only as to certain products The Designated Supplier may be us, one of our affiliates, or a designated third party Unless we specify otherwise, you agree to purchase from us, our affiliate, or our Designated Suppliers, all Operating Assets and Restaurant Materials We and our affiliates may receive payments from Designated Suppliers on account of such suppliers' dealings with you and other franchise owners, and may use any amounts so received without restriction and for any purpose we and our affiliates deem appropriate We or our affiliates may concentrate purchases with one or more suppliers or distributors to obtain lower prices or the best advertising support or services Our approval of a supplier or distributor may be conditioned on requirements relating to product quality, prices, consistency, reliability, financial capability, labor relations, customer relations, regional capability, frequency of delivery, concentration of purchases, standards of service, including prompt attention to complaints, or other criteria, and may be temporary pending our continued evaluation of the supplier or distributor from time to time You consent to vendors providing us with information on your payment and account status, as well as access to copies of orders, shipments, deliveries and payment information

10 15 **Approved Products** You must not sell any food or beverage products or other items at the Restaurant that we have not previously approved for sale You must only use and display menus that have been prescribed or approved (except for prices) in advance by us You must sell all the food and beverage products that are included on the prescribed or approved menus, and no others We may be the sole supplier of certain proprietary food products We may negotiate group or volume purchasing arrangements with approved suppliers We will be entitled to all rebates, bonuses and promotional benefits associated with those programs Any rebates will be contributed to the Marketing Fund You must strictly follow all of our recipes for all menu items as such recipes are specified from time to time in the Manuals or otherwise You must not, without our prior written consent, sell, dispense, give away or otherwise provide food or beverage products or other products or items except by means of retail sales or complimentary meals to employees or customers at the Restaurant, or a program of charitable giving You must immediately implement changes to the products, food, service or other items requested by us, including menu changes You must maintain an inventory of food and beverage products sufficient to meet the daily demands of the Restaurant for all items specified in the menus Any and all recipes or menu changes submitted by you for inclusion on the menus will become our property and you agree to sign all documents necessary to convey all rights and title, including all rights in such recipes to us

10 16 **Changes to Approved Suppliers** If you want to propose a new supplier of Restaurant Materials or Operating Assets for any supplier that is not affiliated with us, you must submit to us sufficient written information about the proposed new supplier to enable us to approve or reject either the supplier or the particular items We will have 6 months from receipt of the information to approve or reject the proposed new supplier or items We may consider in providing such approval not just the quality standards of the products or services, but their delivery capabilities, financing terms and ability to service our franchise system as a whole We may terminate or withhold approval of any Restaurant Materials or Operating Assets, or any supplier of such items that do not meet our quality standards by giving you written notice If we do so, you must immediately stop purchasing from such supplier or using such Restaurant Materials or Operating Assets in your CHURROHOLIC® Restaurant until we notify you that such supplier or such Restaurant Materials or Operating Assets meet our quality standards At our request, you must submit to us sufficient information about a proposed supplier and samples of the proposed Restaurant Materials or Operating Assets for our examination so that we can determine whether they meet our quality standards We also must have the right to require our representatives to be permitted to inspect the proposed supplier's facilities at your expense We may charge a fee for evaluating alternative suppliers of not more than $5,000

10 17 **Management** You, or one of your owners, or a manager approved by us and who has at least a 25% ownership interest in the Restaurant (a "**Certified Manager**"), must assume responsibility for the Restaurant's day-to-day management and operation and supervise the Restaurant's personnel The Restaurant must at all times be under your, your owner's or a Certified Manager's, direct supervision

10.18 **Personnel** You must hire, train and supervise Restaurant personnel in accordance with the specifications set forth in the Manuals All personnel must meet every requirement imposed by applicable federal, state and local law and those required by us as a condition to their employment All persons you employ that have access to any of the Confidential Information must sign a Confidentiality and Noncompetition Agreement in a form satisfactory to us You are liable to us for any unauthorized disclosure of such information by any of your Owners, directors, employees, representatives or agents

10 19 **Compliance with Laws and Good Business Practices** You must secure and maintain in force all required licenses, permits and certificates relating to the operation of the Restaurant and must operate the Restaurant in full compliance with all applicable laws, ordinances and regulations, including government regulations relating to occupational hazards, health, environment, worker's compensation and unemployment insurance and withholding and payment of federal and state income taxes, social security taxes and sales and service taxes All advertising and promotion by you must be completely factual and must conform to the highest standards of ethical advertising The Restaurant must in all dealings with its customers, suppliers, us and the public adhere to the highest standards of honesty, integrity, timeliness, respect, fair dealing and ethical conduct You agree to refrain from any business or advertising practice which may be injurious to our business and the goodwill associated with the Marks, the System, and other CHURROHOLIC® Restaurants You must notify us in writing within 5 days of the commencement of any action, suit or proceeding, and of the issuance of any order, writ, injunction, award or decree of any court, agency or other governmental instrumentality, which may adversely affect your operation or financial condition or that of the Restaurant and of any notice of violation of any law, ordinance, or regulation relating to the Restaurant

10 20 **Insurance** During the Term, you must maintain in force, at your sole expense, comprehensive public liability, general liability, product liability and motor vehicle liability insurance against claims for bodily and personal injury, death and property damage caused by or occurring in connection with the Restaurant's operation All such insurance must contain the minimum liability coverage (on an occurrence and aggregate basis) we prescribe from time to time Such insurance coverage may specifically include auto insurance on any vehicles that you may acquire for promotional events, residential, institutional or commercial deliveries, or other business activities in connection with the Restaurant You must also maintain in force insurance covering employee dishonesty, money and securities, and business interruption We may periodically increase the amounts of coverage required under these insurance policies and/or require different or additional insurance coverages (including reasonable excess liability insurance) at any time to reflect inflation, identification of new risks, changes in law or standards of liability, higher damage awards or other relevant changes in circumstances All insurers must meet with our approval including meeting our required minimum ratings from the rating agency we designate These insurance policies must name us and any affiliates we designate as additional named insureds and provide for 30 days' prior written notice to us of a policy's material modification, cancellation or expiration You routinely must furnish us copies of your Certificates of Insurance or other evidence of your maintaining this insurance coverage and paying premiums If you fail or refuse to obtain and maintain the insurance we specify, in addition to our other remedies, we may (but need not) obtain such insurance for you and the Restaurant on your behalf, in which event you will cooperate with us and reimburse us for all premiums, costs and expenses we incur in obtaining and maintaining the insurance, plus a reasonable fee for our time incurred in obtaining such insurance

11 MARKETING AND PROMOTION

11 1 Establishment of Marketing Fund We may establish a Marketing Fund (the "**Marketing Fund**") for such advertising, marketing and public relations programs and materials on a system-wide basis that we deem necessary or appropriate in our sole discretion You agree to contribute to the Marketing Fund such amounts that we prescribe from time to time (the "**Marketing Contributions**"), not to exceed 4% of your Gross Sales per calendar week (except as described below), payable in the same manner as the Royalty We reserve the right to defer or reduce contributions of a CHURROHOLIC® Restaurant franchisee and, upon 30 days prior written notice to you, to reduce or suspend contributions to and operations of the Marketing Fund for one or more periods of any length and to terminate (and, if terminated, to reinstate) the Marketing Fund If the Marketing Fund is terminated, all unspent monies on the date of termination will be distributed to our franchisees in proportion to their respective contributions to the Marketing Fund during the preceding 12 calendar months Our affiliates will contribute to the Marketing Fund on the same basis as franchise owners for any CHURROHOLIC® Restaurants they own and operate

11.2 Use of the Funds We direct all programs financed by the Marketing Fund, with sole control over the creative concepts, materials and endorsements, and the geographic, market and media placement and allocation You agree that the Marketing Fund may be used to pay the costs of preparing and producing video, audio and written and digital advertising materials, developing, enhancing and maintaining an electronic commerce website, including for online ordering, menu layout and design, administering system-wide regional and multi-regional advertising programs, including, without limitation, purchasing direct mail, internet, social media and other media advertising and employing advertising, promotion and marketing agencies, marketing and advertising training programs and materials, and supporting public relations, market research and other advertising, promotion and marketing activities We maintain ownership of all market research, designs, copyrights, and other data, materials and property financed through the Marketing Fund The Marketing Fund periodically will furnish you with samples of advertising, marketing and promotional formats and materials at no cost Multiple copies and individual requests of such materials will be furnished to you at our direct cost of producing them, plus any related shipping, handling and storage charges

11 3 Accounting for the Fund The Marketing Fund will not be our asset Although the Marketing Fund is not a trust, we will hold all Marketing Fund contributions for the benefit of the contributors and use Marketing Fund contributions only for the purposes described in this section of this Agreement We do not owe any fiduciary obligation to you for administering the Marketing Fund or for any other reason The Marketing Fund will be accounted for separately from our other funds and will not be used to defray any of our general operating expenses, except for such reasonable salaries, administrative costs, travel expenses and overhead, including rent and utilities, as we may incur in activities related to the administration of the Marketing Fund and its programs, including, without limitation, conducting market research, preparing advertising, promotion and marketing materials and collecting and accounting for contributions to the Marketing Fund All interest earned on monies contributed to the Marketing Fund will be used to pay advertising costs before other assets of the Marketing Fund are expended We may spend, on behalf of the Marketing Fund, in any fiscal year an amount greater or less than the aggregate contribution of all CHURROHOLIC® Restaurants to the Marketing Fund in that year The Marketing Fund may borrow from us or others to cover deficits or invest any surplus for future use If we lend money to the Marketing Fund, we may charge interest at an annual rate 1% greater than the rates we pay our lenders We will prepare an annual statement of monies collected and costs incurred by the Marketing Fund and furnish the statement to you upon written request We have the right to cause the Marketing Fund to be incorporated or operated through a separate entity at

such time as we deem appropriate, and such successor entity will have all of the rights and duties specified in this Agreement

11 4 **Marketing Fund Limitations** You acknowledge that the Marketing Fund is intended to maximize recognition of the Marks and patronage of CHURROHOLIC® Restaurants Although we will endeavor to utilize the Marketing Fund to develop advertising and marketing materials and programs and to place advertising that will benefit all CHURROHOLIC® Restaurants, we undertake no obligation to ensure that expenditures by the Marketing Fund in or affecting any geographic area are proportionate or equivalent to the contributions to the Marketing Fund by CHURROHOLIC® Restaurants operating in that geographic area or that any CHURROHOLIC® Restaurant will benefit directly or in proportion to its contribution to the Marketing Fund from the development of advertising and marketing materials or the placement of advertising Except as expressly provided in this section, we assume no direct or indirect liability or obligation to you with respect to collecting amounts due to, or maintaining, directing or administering, the Marketing Fund

11.5. **Deposits** We have the right to collect for deposit into the Marketing Fund any advertising, marketing or similar allowances paid to us by suppliers who deal with CHURROHOLIC® Restaurants and with whom we have agreed that we will so deposit these allowances These payments are different from those which are not designated by suppliers to be used exclusively for advertising or similar purposes and which we and our affiliates, therefore, may use for any purposes we and they deem appropriate We have the right, but no obligation, to use collection agents and institute legal proceedings to collect Marketing Fund contributions at the Marketing Fund's expense We also may forgive, waive, settle and compromise all claims by or against the Marketing Fund Except as expressly provided in this subsection, we assume no direct or indirect liability or obligation to you for collecting amounts due to, maintaining, directing or administering the Marketing Fund We may at any time defer or reduce Marketing Fund contributions of a CHURROHOLIC® Restaurant franchise owner and, upon 30 days' prior written notice to you, reduce or suspend Marketing Fund contributions and operations for one or more periods of any length and terminate (and, if terminated, reinstate) the Marketing Fund If we terminate the Fund, we will distribute all unspent monies to our Franchise owners, and to us and our affiliates, in proportion to their and our respective Marketing Fund contributions during the preceding 12-month period

11 6. **Your Advertising, Marketing and Promotion** You agree that any advertising, promotion and marketing you conduct will conform to our brand standards and be completely clear and factual and not misleading and conform to the highest standards of ethical marketing and the promotion policies which we prescribe from time to time You must obtain and send us copies of all copyright authorizations and permissions that may be necessary from the appropriate parties Samples of all advertising, promotional and marketing materials which we have not prepared or previously approved must be submitted to us for approval before you use them If you do not receive written disapproval within 14 days after our receipt of such materials, we will be deemed to have given the required approval You must not use any advertising or promotional materials that we have disapproved, whether or not you have already printed or developed them

You must spend no less than 4% of your Gross Sales on approved forms of local advertising, marketing and promotion At your expense, you must obtain telephone or other directory listings in the "white and yellow pages" in the size and manner we specify, displaying the Marks If other franchise owners operate CHURROHOLIC® Restaurants in the market area serviced by the directories, then you must participate in and pay your pro rata share (based on number of Restaurants) of the cost of such listings and advertising

11.7. **Co-op Participation and Contributions** If an association of CHURROHOLIC® Restaurant franchise owners is established in a geographic area in which your Restaurant is located (the

"**Co-op**"), you must join and actively participate in it You also must contribute to the Co-op such amounts as are determined from time to time by it, not to exceed 2% of your Gross Sales Your local advertising requirement will be reduced by the amount that you contribute to any Co-op We will not set the amount of those contributions The Co-op will adopt its own rules, regulations and procedures, which you must follow However, the rules, regulations and procedures of the Co-op and any related agreements, as well as any changes or additions to them, are subject to our approval All advertising utilized by the Co-op must not be used unless and until we have reviewed and approved it We also have the right to participate in any meetings of the Co-op and its members Your failure to timely contribute the amounts required by the Co-op constitutes a material breach of the provisions of this Agreement and we may offset against any amounts we owe to you the amount of your Co-op contributions and pay such contributions for you

12 RECORDS, REPORTS AND FINANCIAL STATEMENTS

12 1 Accounting System You must obtain your accounting services and any required hardware or software related to them in accordance with policies, systems and sources that we designate You must at all times maintain the records reasonably specified in the Manuals, including, without limitation, sales, inventory and expense information

(a) You must report Gross Sales and other business information to us using the format, reporting system and accounting system (the "**Accounting System**") that we require from time to time We may require that the Accounting System reside on our Computer System and we will provide you access to the Accounting System through the Internet, the Accounting Systems reside at a location designated by us, and you must establish access to the Accounting System via the Internet at your cost You must deliver to us the financial and operating reports in the form, manner, content and time we specify from time to time, including via access to the Accounting System You will update all information in the Accounting System as often as we designate, which may be at least daily, including but not limited to revenues, expenditures and other pertinent data We may periodically change the Accounting System and the suppliers of accounting services

(b) You will make available for our review and inspection during normal business hours all original books and records that we want to ascertain and verify financial statements or reports You will maintain all of your books and records in accordance with generally accepted accounting principles You will maintain and preserve such records during the entire Term and for 7 years following expiration or termination of this Agreement Such records include deposit reports and receipts, cash receipts journal, general ledgers, cash disbursement journals, weekly payroll registers, monthly bank statements, supplier invoices (paid and unpaid), accounts payable journals, balance sheets, profit and loss statements, inventory records, records of wholesale accounts and such other records as we may require

(c) We may use the information obtained as we deem appropriate, except that information you designate as confidential will not be disclosed to third parties in a manner that identifies you as the subject or source except (i) with your permission, (ii) as may be required by law, and (iii) in connection with audits or collections under this Agreement, or shared within the CHURROHOLIC® Restaurant franchise system (you understand that we disseminate operational and financial data throughout the system and to prospects)

(d) We may require you to use approved computer hardware and software in order to maintain the Accounting System and other communication processes If we determine that if you or your accounting firm are not maintaining your statements, records and reports on a satisfactory basis, or not timely providing reports to us, we may require you to utilize accounting firms and services that we designate, at your expense We will only require you to use designated accounting service providers if we are not satisfied with your performance of your accounting and recordkeeping obligations, and we will only designate accounting service providers that demonstrate to our satisfaction that they are capable of assisting you to meet those requirements

12 2 Reports You agree to furnish to us on such forms that we prescribe from time to time

(a) within 5 days after their filing, copies of all sales tax returns for the Restaurant and, as soon as you have received them, copies of the canceled checks for the required sales taxes,

(b) on the Report Day, a report on the Restaurant's Gross Sales during the preceding calendar week,

(c) within 10 days after the end of each calendar month, a profit and loss statement for the Restaurant for the immediately preceding calendar month and year-to-date and a balance sheet as of the end of such calendar month,

(d) within 10 days after the end of the Restaurant's fiscal year, annual profit and loss and source and use of funds statements and a balance sheet for the Restaurant as of the end of such fiscal year,

(e) within 10 days after our request, exact copies of federal and state income and other tax returns and such other forms, records, books and other information we may periodically require, and

(f) within 10 days after the end of the Restaurant's first fiscal year, an unaudited Profit and Loss Statement for the Restaurant

12 3 Access to Information You agree to verify and sign each report and financial statement in the manner we prescribe We have the right to disclose data derived from such reports We also have the right to require you to have reviewed or audited financial statements prepared on an annual basis Moreover, we have the right as often as we deem appropriate (including on a daily basis) to access all computer registers and other computer systems that you are required to maintain in connection with the operation of the Restaurant and to retrieve all information relating to the Restaurant's operations

12 4 Copies of Reports You agree to cause your accountant or tax preparer to mail all tax returns he prepares for you directly to the proper taxing authority Simultaneous with their filing, you agree to cause your tax preparer or accountant to furnish us directly, with a copy of all sales, income and other tax returns relating to your CHURROHOLIC® Restaurant You must also send us copies of any sales or other reports sent to any landlord or governmental agency

13 INSPECTIONS AND AUDITS

13 1 Our Right to Inspect the Restaurant To determine whether you and the Restaurant are complying with this Agreement and all System Standards, we and our designated agents have the right at any time during your regular business hours, and without prior notice to you, to

(a) inspect the Restaurant,

(b) view any and all camera systems,

(c) observe, photograph and videotape the operations of the Restaurant for such consecutive or intermittent periods as we deem necessary,

(d) remove samples of any products, materials or supplies for testing and analysis,

(e) interview personnel and customers of the Restaurant, and

(f) inspect and copy any books, records and documents relating to your operation of the Restaurant

You agree to cooperate with us fully in connection with any such inspections, observations, photographing, videotaping, product removal and interviews You agree to present to your customers such evaluation forms that we periodically prescribe and to participate and/or request your customers to participate in any surveys performed by us or on our behalf You must immediately correct or repair any unsatisfactory conditions we specify

13 2 **<u>Our Right to Audit</u>** We have the right at any time during your business hours, and without prior notice to you, to inspect and audit, or cause to be inspected and audited, your (if you are a Business Entity) and the Restaurant's business, bookkeeping and accounting records, sales and income tax records and returns and other records You agree to cooperate fully with our representatives and independent accountants we hire to conduct any such inspection or audit If our inspection or audit is made necessary by your failure to furnish reports, supporting records or other information we require, or to furnish such items on a timely basis, or if the information is not accurate (i e , your Gross Sales are understated by 5% or more, Royalties or advertising requirements are underpaid by 5% or more), you agree to pay us $175 per hour and reimburse us for the cost of such inspection or audit, including, without limitation, the charges of attorneys and independent accountants and the travel expenses, room and board and compensation of our employees You also must immediately pay us any shortfall in the amounts you owe us, including late fees and interest The foregoing remedies are in addition to our other remedies and rights under this Agreement and applicable law

14 <u>TRANSFER.</u>

14 1 **<u>By Us</u>** This Agreement is fully transferable by us and will inure to the benefit of any transferee or other legal successor to our interests

14.2 **<u>By You</u>** You understand and acknowledge that the rights and duties created by this Agreement are personal to you (or, if you are a Business Entity, to your owners) and that we have granted the Franchise to you in reliance upon our perceptions of your (or your owners') individual or collective character, skill, aptitude, attitude, business ability and financial capacity Accordingly, neither this Agreement (nor any interest in it) nor any ownership or other interest in you or the Restaurant may be transferred without our prior written approval Any transfer without such approval constitutes a breach of this Agreement and is void and of no effect As used in this Agreement, the term **"transfer"** includes your (or your owners') voluntary, involuntary, direct or indirect assignment, sale, gift or other disposition of any interest in (a) this Agreement, (b) you, or (c) the Restaurant

An assignment, sale, gift or other disposition includes the following events

(i) transfer of ownership of 10% capital stock or a partnership interest,

(ii) merger or consolidation or issuance of additional securities or interests representing an ownership interest in you,

(iii) any issuance or sale of your stock or any security convertible to your stock,

(iv) transfer of an interest in you, this Agreement or the Restaurant in a divorce, insolvency or corporate or partnership dissolution proceeding or otherwise by operation of law,

(v) transfer of an interest in you, this Agreement or the Restaurant, in the event of your death or the death of one of your owners, by will, declaration of or transfer in trust or under the laws of intestate succession, or

(vi) pledge of this Agreement (to someone other than us) or of an ownership interest in you as security, foreclosure upon the Restaurant or your transfer, surrender or loss of possession, control or management of the Restaurant

14.3 **<u>Conditions for Approval of Transfer</u>** If you (and your owners) are in full compliance with this Agreement, then subject to the other provisions of this Section, we will approve a transfer that meets all the applicable requirements of this Section The proposed transferee and its direct and indirect owners must be individuals of good character and otherwise meet our then applicable standards for CHURROHOLIC® Restaurant franchisees A transfer of ownership, possession or control of the Restaurant may be made only in conjunction with a transfer of this Agreement If the transfer is of this Agreement or a controlling interest in you, or is one of a series of transfers which in the aggregate constitute the transfer of this Agreement or a controlling interest in you, all of the following conditions must be met prior to or concurrently with the effective date of the transfer

(a) the transferee has sufficient business experience, aptitude and financial resources to operate the Restaurant,

(b) you have paid all Royalties, Marketing Fund contributions, amounts owed for purchases from us and all other amounts owed to us or to third-party creditors and have submitted all required reports and statements,

(c) the transferee (or its owners) have agreed to complete our standard training program, at their expense,

(d) the transferee has agreed to be bound by all of the terms and conditions of this Agreement,

(e) the transferee has entered into our then-current form of Franchise Agreement for a term ending on the expiration date of this Agreement and requiring no initial franchise fee,

(f) the transferee agrees to upgrade the Restaurant to conform to our then-current standards and specifications,

(g) you or the transferee pay us a transfer fee equal to 50% of our then-current initial franchise fee, provided, however, that if the transfer is to an existing CHURROHOLIC® Restaurant franchisee, the transfer fee will be equal to 25% of our then-current initial franchise fee,

(h) you (and your transferring owners) have signed a general release, in form satisfactory to us, of any and all claims against us and our shareholders, officers, directors, employees and agents,

(i) we have approved the material terms and conditions of such transfer and determined that the price and terms of payment will not adversely affect the transferee's operation of the Restaurant,

(j) if you or your owners finance any part of the sale price of the transferred interest, you and/or your owners have agreed that all of the transferee's obligations pursuant to any promissory notes, agreements or security interests that you or your owners have reserved in the Restaurant are subordinate to the transferee's obligation to pay Royalties, Marketing Fund contributions and other amounts due to us and otherwise to comply with this Agreement,

(k) you and your transferring owners (and your and your owners' spouses and children) have signed a non-competition covenant in favor of us and the transferee agreeing to be bound, commencing on the effective date of the transfer, by the restrictions contained in this Agreement, and

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

14 4 <u>Transfer to a Business Entity</u> If you are in full compliance with this Agreement, you may transfer this Agreement to a Business Entity that conducts no business other than the Restaurant and, if applicable, other CHURROHOLIC® Restaurants so long as you own, control and have the right to vote 51% or more of its issued and outstanding ownership interests (like stock or partnership interests) and you guarantee its performance under this Agreement All other owners are subject to our approval The organizational or governing documents of the Business Entity must recite that the issuance and transfer of any ownership interests in the Business Entity are restricted by the terms of this Agreement, are subject to our approval, and all certificates or other documents representing ownership interests in the Business Entity must bear a legend referring to the restrictions of this Agreement As a condition of our approval of the issuance or transfer of ownership interests to any person other than you, we may require (in addition to the other requirements we have the right to impose) that the proposed owner sign an agreement, in a form provided or approved by us, agreeing to be bound jointly and severally by, to comply with, and to guarantee the performance of, all of the your obligations under this Agreement

14 5 <u>Transfer Upon Death or Disability</u> Upon your death or disability or, if you are a Business Entity, the death or disability of the owner of a controlling interest in you, we may require you (or such owner's executor, administrator, conservator, guardian or other personal representative) to transfer your interest in this Agreement (or such owner's interest in you) to a third party Such disposition (including, without limitation, transfer by bequest or inheritance) must be completed within the time we designate, not less than one month but not more than 6 months from the date of death or disability Such disposition will be subject to all of the terms and conditions applicable to transfers contained in this Section A failure to transfer your interest in this Agreement or the ownership interest in you within this period of time constitutes a breach of this Agreement For purposes of this Agreement, the term "**disability**" means a mental or physical disability, impairment or condition that is reasonably expected to prevent or actually does prevent you or an owner of a controlling interest in you from managing and operating the Restaurant

14 6 <u>Operation Upon Death or Disability</u> If, upon your death or disability or the death or disability of the owner of a controlling interest in you, the Restaurant is not being managed by a Certified

Manager, your or such owner's executor, administrator, conservator, guardian or other personal representative must within a reasonable time, not to exceed 60 days from the date of death or disability, appoint a manager to operate the Restaurant Such manager will be required to complete training at your expense Pending the appointment of a manager as provided above or if, in our judgment, the Restaurant is not being managed properly any time after your death or disability or after the death or disability of the owner of a controlling interest in you, we have the right, but not the obligation, to appoint a manager for the Restaurant All funds from the operation of the Restaurant during the management by our appointed manager will be kept in a separate account, and all expenses of the Restaurant, including compensation, other costs and travel and living expenses of our manager, will be charged to this account We also have the right to charge a reasonable management fee (in addition to the Royalty and Marketing Fund contributions payable under this Agreement) during the period that our appointed manager manages the Restaurant Operation of the Restaurant during any such period will be on your behalf, provided that we only have a duty to utilize our best efforts and will not be liable to you or your owners for any debts, losses or obligations incurred by the Restaurant or to any of your creditors for any products, materials, supplies or services the Restaurant purchases during any period it is managed by our appointed manager

14 7 **Effect of Consent to Transfer** Our consent to a transfer of this Agreement and the Restaurant or any interest in you does not constitute a representation as to the fairness of the terms of any contract between you and the transferee, a guarantee of the prospects of success of the Restaurant or transferee or a waiver of any claims we may have against you (or your owners) or of our right to demand the transferee's exact compliance with any of the terms or conditions of this Agreement

14 8 **Our Right of First Refusal** If you (or any of your owners) at any time determine to sell, assign or transfer for consideration an interest in this Agreement and the Restaurant or an ownership interest in you, you (or such owner) agree to obtain a bona fide, executed written offer and earnest money deposit (in the amount of 5% or more of the offering price) from a responsible and fully disclosed offeror (including lists of the owners of record and all beneficial owners of any corporate or limited liability company offeror and all general and limited partners of any partnership offeror and, in the case of a publicly-held corporation or limited partnership, copies of the most current annual and quarterly reports and Form 10K) and within 5 days of receipt submit to us a true and complete copy of such offer, which includes details of the payment terms of the proposed sale and the sources and terms of any financing for the proposed purchase price To be a valid, bona fide offer, the proposed purchase price must be denominated in a dollar amount The offer must apply only to an interest in you or in this Agreement and the Restaurant and may not include an offer to purchase any of your (or your owners') other property or rights However, if the offeror proposes to buy any other property or rights from you (or your owners) under a separate, contemporaneous offer, such separate, contemporaneous offer must be disclosed to us, and the price and terms of purchase offered to you (or your owners) for the interest in you or in this Agreement and the Restaurant must reflect the bona fide price offered and not reflect any value for any other property or rights

We have the right, exercisable by written notice delivered to you or your selling owner(s) within 30 days from the date of the delivery to us of both an exact copy of such offer and all other information we request, to purchase such interest for the price and on the terms and conditions contained in such offer, provided that

(a) we may substitute cash for any form of payment proposed in such offer (with a discounted amount if an interest rate will be charged on any deferred payments),

(b) our credit will be deemed equal to the credit of any proposed purchaser,

(c) we will have not less than 30 days after giving notice of our election to purchase to prepare for closing, and

(d) we are entitled to receive, and you and your owners agree to make, all customary representations and warranties given by the seller of the assets of a business or the capital stock of an incorporated business, as applicable, including, without limitation, representations and warranties as to

(i) ownership and condition of and title to stock or other forms of ownership interest and/or assets,

(ii) liens and encumbrances relating to the stock or other ownership interest and/or assets, and

(iii) validity of contracts and the liabilities, contingent or otherwise, of the corporation whose stock is being purchased

If we exercise our right of first refusal, you and your selling owner(s) agree that, for a period of 2 years commencing on the date of the closing, you and they will be bound by the noncompetition covenant contained this Agreement You and your selling owner(s) further agree that you and they will, during this same time period, abide by the restrictions of this Agreement

If we do not exercise our right of first refusal, you or your owners may complete the sale to such purchaser pursuant to and on the exact terms of such offer, subject to our approval of the transfer, provided that, if the sale to such purchaser is not completed within 120 days after delivery of such offer to us, or if there is a material change in the terms of the sale (which you agree promptly to communicate to us), we will have an additional right of first refusal during the 30 day period following either the expiration of such 120 day period or notice to us of the material change(s) in the terms of the sale, either on the terms originally offered or the modified terms, at our option

15 SUCCESSOR TERMS.

15 1 Acquisition Upon expiration of this Agreement, subject to the conditions of this Section, you will have the right to acquire a successor franchise to operate the a CHURROHOLIC® Restaurant for an additional 10-year period on the terms and conditions of the franchise agreement we are then using in granting franchises for CHURROHOLIC® Restaurants, if you (and each of your owners) have substantially complied with this Agreement during its term, and either

(a) you maintain possession of and agree to remodel and/or expand the Restaurant, add or replace improvements, equipment and signs and otherwise modify the Restaurant as we require to bring it into compliance with specifications and standards then applicable for CHURROHOLIC® Restaurants, or

(b) if you are unable to maintain possession of the Site, or if in our judgment the Restaurant should be relocated, you secure substitute Site we approve, develop such Site in compliance with specifications and standards then applicable for CHURROHOLIC® Restaurants and continue to operate the Restaurant at the Site until operations are transferred to the substitute Site

15 2 Grant You must give us written notice of your election to acquire a successor franchise at least 3 months prior to the end the term of this Agreement We will respond (**"Response Notice"**), within 30 days after we receive your notice, of our decision, either

(a) to grant you a successor franchise,

(b) to grant you a successor franchise on the condition that deficiencies of the Restaurant, or in your operation of the Restaurant, are corrected, or

(c) not to grant you a successor franchise based on our determination that you and your owners have not substantially complied with this Agreement during its term

If applicable, our Response Notice will

(a) describe the remodeling and/or expansion of the Restaurant and other improvements or modifications required to bring the Restaurant into compliance with then applicable specifications and standards for CHURROHOLIC® Restaurants, and

(b) state the actions you must take to correct operating deficiencies and the time period in which such deficiencies must be corrected

If we elect not to grant a successor franchise, the Response Notice will describe the reasons for our decision Your right to acquire a successor franchise is subject to your continued compliance with all of the terms and conditions of this Agreement through the date of its expiration, in addition to your compliance with the obligations described in the Response Notice

In our discretion, we may extend the term of this Agreement for such period of time as we deem necessary in order to provide you with either reasonable time to correct deficiencies or 90 days' notice of our refusal to grant a successor franchise

15 3. **<u>Agreements/Releases</u>** If you satisfy all of the other conditions to the grant of a successor franchise, you and your owners agree to sign the form of franchise agreement and any ancillary agreements we are then customarily using in connection with the grant of successor franchises for CHURROHOLIC® Restaurants You and your owners further agree to sign general releases, in form satisfactory to us, of any and all claims against us and our shareholders, officers, directors, employees, agents, successors and assigns Failure by you or your owners to sign such agreements and releases and deliver them to us for acceptance and signature within 60 days after their delivery to you will be deemed an election not to acquire a successor franchise

15.4 **<u>Training and Refresher Programs</u>** Our grant of a successor franchise is also conditioned on the satisfactory completion by you (or attorneys owners) of any new training and refresher programs as we may reasonably require

15 5 **<u>Fees and Expenses</u>** Our grant of a successor franchise is contingent on your payment to us of a successor franchise fee ("**Successor Franchise Fee**") of 10% of our then-current initial franchise fee We must receive the fee from you at the time of your election, but not later than 3 days prior to the expiration date of this Agreement In addition, we have the right to charge you for services we render to you and expenses we incur in conjunction with the grant of the successor franchise Payment of those charges is due upon your receipt of our invoice

15 6 **<u>Subsequent Successor Franchises</u>** The fees and other conditions for any later granting of subsequent successor franchises will be governed by the successor franchise agreement (as described above)

16 <u>TERMINATION OF AGREEMENT</u>

16 1 **<u>On Notice</u>** We have the right to terminate this Agreement, effective upon delivery of written notice of termination to you, if

(a) you (or any of your owners) have made any material misrepresentation or omission in connection with your purchase of the Franchise,

(b) you fail to begin operating the Restaurant within 12 months of the Agreement Date,

(c) your, or your owners, failure to successfully complete initial or any other training to our satisfaction,

(d) you abandon or fail to actively operate the Restaurant for 7 or more consecutive business days, unless the Restaurant has been closed for a purpose we have approved or because of casualty or government order,

(e) you surrender or transfer control of the operation of the Restaurant without our prior written consent,

(f) you (or any of your owners) are or have been convicted by a trial court of, or plead or have pleaded no contest, or guilty, to, a felony or other serious crime or offense,

(g) you (or any of your owners) engage in any dishonest or unethical conduct which may adversely affect the reputation of the Restaurant or another CHURROHOLIC® Restaurants or the goodwill associated with the Marks,

(h) you understate Gross Sales by 5% or more,

(i) you (or any of your owners) make an unauthorized assignment of this Agreement or of an ownership interest in you or the Restaurant,

(j) in the event of your death or disability or the death or disability of the owner of a controlling interest in you, this Agreement or such owner's interest in you is not assigned as required under this Agreement,

(k) you lose the right to possession of the Site,

(l) you (or any of your owners) make any unauthorized use or disclosure of any Confidential Information or use, duplicate or disclose any portion of the Manual in violation of this Agreement,

(m) you violate any health, safety or sanitation law, ordinance or regulation and do not begin to cure the noncompliance or violation immediately, and correct such noncompliance or violation within 24 hours, after written notice is delivered to you,

(n) you fail to make payments of any amounts due to us and do not correct such failure within 30 days after written notice of such failure is delivered to you,

(o) you fail to pay when due any federal or state income, service, sales or other taxes due on the operations of the Restaurant, unless you are in good faith contesting your liability for such taxes,

(p) you (or any of your owners) fail to comply with any other provision of this Agreement or any System Standard and do not correct such failure within 30 days after written notice of such failure to comply is delivered to you,

(q) you (or any of your owners) fail on 2 or more separate occasions within any period of 12 consecutive calendar weeks or on 3 occasions during the term of this Agreement to submit when due reports or other data, information or supporting records, to pay when due any amounts due to us or otherwise to comply with this Agreement, whether or not such failures to comply were corrected after written notice of such failure was delivered to you, or

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

16 2. __**After Notice**__ We may also terminate this Agreement after we notify you of our intention to do so because of the occurrence of any of the following events and your failure to cure it within 30 days of our notice

(a) you or a Certified Manager is not present at the Restaurant during all open hours,

(b) failure to keep the Restaurant open during the required hours,

(c) purchasing or leasing any product or service from an unapproved supplier,

(d) failure to participate in a Co-op,

(e) failure to pay taxes and assessments,

(f) failure to obtain and maintain required permits,

(g) if you are a Business Entity, failure to maintain active status in your state of organization,

(h) failure to promptly pay any amounts due us or your suppliers,

(i) failure to timely make required reports,

(j) failure to maintain sufficient liquid funds to pay amounts to us via electronic transfer,

(k) you violate any other provision of this Agreement,

(l) failure to maintain any standards or procedures contained in the Operations Manual,

(m) continued violation of any law, ordinance, rule or regulation of a governmental agency, or

(n) failure to obtain any approvals or consents required by this Agreement

17 RIGHTS AND OBLIGATIONS UPON TERMINATION.

17.1 **Payment of Amounts Owed To Us** You agree to pay us within 15 days after the effective date of termination or expiration of this Agreement, or on such later date that the amounts due to us are determined, such Royalties, Marketing Fund contributions, amounts owed for purchases from us, interest due on any of the foregoing and all other amounts owed to us which are then unpaid

17 2 **Marks** Upon the termination or expiration of this Agreement

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

(b) you agree to take such action as may be required to cancel all fictitious or assumed name or equivalent registrations relating to your use of any Mark,

(c) if we do not have or do not exercise an option to purchase the Restaurant, you agree to deliver to us within 30 days after, as applicable, the effective date of expiration of this Agreement or the Notification Date all signs, sign-faces, sign-cabinets, marketing materials, forms and other materials containing any Mark or otherwise identifying or relating to a CHURROHOLIC® Restaurant and allow us, without liability to you or third parties, to remove all such items from the Restaurant,

(d) if we do not have or do not exercise an option to purchase the Restaurant, you agree that, after, as applicable, the effective date of expiration of this Agreement or the Notification Date, you will promptly and at your own expense make such alterations we specify to distinguish the Restaurant clearly from its former appearance and from other CHURROHOLIC® Restaurants so as to prevent confusion by the public,

(e) if we do not have or do not exercise an option to purchase the Restaurant, you agree that, after, as applicable, the effective date of expiration of this Agreement or the Notification Date, you will notify the telephone company and all telephone directory publishers of the termination or expiration of your right to use any telephone, telecopy or other numbers and any regular, classified or other telephone directory listings associated with any Mark, authorize the transfer of such numbers and directory listings to us or at our direction and/or instruct the telephone company to forward all calls made to your telephone numbers to numbers we specify, and

(f) you agree to furnish us, within 30 days after, as applicable, the effective date of expiration of this Agreement or the Notification Date, with evidence satisfactory to us of your compliance with the foregoing obligations

17.3. **Confidential Information** You agree that, upon termination or expiration of this Agreement, you will immediately cease to use any of our Confidential Information in any business or otherwise and return to us all copies of the Manual and any other confidential materials that we have loaned to you

17 4. **Competitive Restrictions** Upon our termination of this Agreement in accordance with its terms and conditions, or expiration of this Agreement (if we offer, but you elect not to acquire, a successor franchise) you and your owners agree that, for a period of 2 years commencing on the effective date of termination or expiration or the date on which a person restricted by this Section begins to comply with this Section, whichever is later, neither you nor any of your owners will have any direct or indirect interest (e g , through a spouse or child) as a disclosed or beneficial owner, investor, partner, director, officer, employee, consultant, representative or agent or in any other capacity in any Competitive Business operating

(i) at the Site,

(ii) within 10 miles of the Site, or

(iii) within 10 miles of any other CHURROHOLIC® Restaurant in operation or under construction on the later of the effective date of the termination or expiration or the date on which a person restricted by this Section complies with this Section

If any person restricted by this Section refuses voluntarily to comply with the foregoing obligations, the 2-year period will commence with the entry of an order of an arbitrator, or court if necessary, enforcing this provision You and your owners expressly acknowledge that you possess skills and abilities of a general nature and have other opportunities for exploiting such skills Consequently, enforcement of the covenants made in this Section will not deprive you of your personal goodwill or ability to earn a living

17.5. **Our Right to Purchase**

(a) **Exercise of Option** Upon our termination of this Agreement in accordance with its terms and conditions or your termination of this Agreement without cause, we have the option, exercisable by giving written notice to you within 30 days from the date of such termination, to purchase the Restaurant from you, including the leasehold rights to the Site (The date on which we notify you whether or not we are exercising our option is referred to in this Agreement as the "**Notification Date**") We have the unrestricted right to assign this option to purchase the Restaurant We will be entitled to all customary warranties and representations in connection with our asset purchase, including, without limitation, representations and warranties as to ownership and condition of and title to assets, liens and encumbrances on assets, validity of contracts and agreements, and liabilities affecting the assets, contingent or otherwise

(b) **Leasehold Rights** You agree at our election

(i) to assign your leasehold interest in the Site to us, or

(ii) to enter into a sublease for the remainder of the lease term on the same terms (including renewal options) as the prime lease

(c) **Purchase Price** The purchase price for the Restaurant will be its fair market value, determined in a manner consistent with reasonable depreciation of the Restaurant's equipment, signs, inventory, materials and supplies, provided that the Restaurant will be valued as an independent business and its value will not include any value for

(i) the Franchise or any rights granted by this Agreement,

(ii) the Marks, or

(iii) participation in the network of CHURROHOLIC® Restaurants

The Restaurant's fair market value will include the goodwill you developed in the market of the Restaurant that exists independent of the goodwill of the Marks and the System The length of the remaining term of the lease for the Site will also be considered in determining the Restaurant's fair market value

We may exclude from the assets purchased cash or its equivalent and any equipment, signs, inventory, materials and supplies that are not reasonably necessary (in function or quality) to the Restaurant's operation or that we have not approved as meeting standards for CHURROHOLIC® Restaurant, and the purchase price will reflect such exclusions

(d) **Appraisal** If we and you are unable to agree on the Restaurant's fair market value, its fair market value will be determined by 3 independent appraisers who collectively will conduct one appraisal We will appoint one appraiser, you will appoint one appraiser and the two party-appointed appraisers will appoint the third appraiser You and we agree to select our respective appraisers within 15 days after we notify you that we are exercising our option to purchase the Restaurant, and the two appraisers so chosen are obligated to appoint the third appraiser within 15 days after the date on which the last of the two party-appointed appraisers was appointed You and we will bear the cost of our own appraisers and share equally the fees and expenses of the third appraiser chosen by the two party-appointed appraisers The appraisers are obligated to complete their appraisal within 30 days after the third appraiser's appointment

The purchase price will be paid at the closing of the purchase, which will take place not later than 90 days after determination of the purchase price We have the right to set off against the purchase price, and thereby reduce the purchase price by, any and all amounts you or your owners owe to us or any amounts of rent you owe the landlord of the Site, or supplies or your creditors that we pay on your behalf in order to obtain lawful possession of the Site, any of your assets or to cover amounts you owe suppliers we do business with At the closing, you agree to deliver instruments transferring to us

(i) good and merchantable title to the assets purchased, free and clear of all liens and encumbrances (other than liens and security interests acceptable to us), with all sales and other transfer taxes paid by you,

(ii) all licenses and permits of the Restaurant which may be assigned or transferred, and

(iii) the leasehold interest and improvements in the Site

If you cannot deliver clear title to all of the purchased assets, or if there are other unresolved issues, the closing of the sale will be accomplished through an escrow You and your owners further agree to execute general releases, in form satisfactory to us, of any and all claims against us and our shareholders, officers, directors, employees, agents, successors and assigns

17 6 **<u>Continuing Obligations</u>** All of our and your (and your owners' and affiliates') obligations which expressly or by their nature survive the expiration or termination of this Agreement will continue in full force and effect subsequent to and notwithstanding its expiration or termination and until they are satisfied in full or by their nature expire Examples include indemnification, payment, de-identification and dispute resolution provisions

18 RELATIONSHIP OF THE PARTIES/INDEMNIFICATION

18 1 **Independent Contractors** You and we understand and agree that this Agreement does not create a fiduciary relationship between you and us, that we and you are and will be independent contractors and that nothing in this Agreement is intended to make either you or us a general or special agent, joint venturer, partner or employee of the other for any purpose You agree that (i) we are not your fiduciary, (ii) we have no liability for your obligations to any third party whatsoever, (iii) you have no authority to make any contract, agreement, warranty or representations on our behalf or to incur any debt or obligation in our name We may engage in any activity that we are not expressly prohibited from taking under this Franchise Agreement Under no circumstances shall your managerial personnel or other employees be deemed our employees You acknowledge that you are the sole employer of the employees of the Franchised Business and you are solely responsible for all labor relations and employment practices in the Franchised Business You agree to indemnify and hold us harmless from any and all liability, including costs, attorney's fees or other damages which result directly or indirectly from your employees and independent contractors You agree to conspicuously identify yourself in all dealings with customers, suppliers, public officials, Restaurant personnel and others as the owner of the Restaurant under a franchise we have granted and to place such notices of independent ownership on such forms, business cards, stationery and advertising and other materials as we may require from time to time

18 2 **No Liability for Acts of Other Party** You agree not to employ any of the Marks in signing any contract or applying for any license or permit, or in a manner that may result in our liability for any of your indebtedness or obligations, and that you will not use the Marks in any way we have not expressly authorized Neither we nor you will make any express or implied agreements, warranties, guarantees or representations or incur any debt in the name or on behalf of the other, represent that our respective relationship is other than franchisor and franchisee or be obligated by or have any liability under any agreements or representations made by the other that are not expressly authorized in writing We will not be obligated for any damages to any person or property directly or indirectly arising out of the Restaurant's operation or the business you conduct pursuant to this Agreement

18 3 **Taxes** We will have no liability for any sales, use, alcohol surcharge, service, occupation, excise, gross receipts, income, payroll, property or other taxes, whether levied upon you or the Restaurant, in connection with the business you conduct (except any taxes we are required by law to collect from you with respect to purchases from us) Payment of all such taxes are your responsibility

18 4. **Indemnification** You agree to indemnify, defend and hold harmless us, our affiliates and our respective shareholders, directors, officers, employees, agents, successors and assignees (the "**Indemnified Parties**") against and to reimburse any one or more of the Indemnified Parties for all claims, obligations and damages described in this Section, any and all taxes described in this Agreement and any and all claims and liabilities directly or indirectly arising out of the Restaurant's operation (even if our negligence is alleged) or your breach of this Agreement For purposes of this indemnification, "**claims**" includes all obligations, damages (actual, consequential or otherwise) and costs reasonably incurred in the defense of any claim against any of the Indemnified Parties, including, without limitation, reasonable accountants', arbitrators', attorneys' and expert witness fees, costs of investigation and proof of facts, court costs, other expenses of litigation, arbitration or alternative dispute resolution, and travel and living expenses We have the right to defend any such claim against us This indemnity will continue in full force and effect subsequent to and notwithstanding the expiration or termination of this Agreement Under no circumstances will we or any other Indemnified Party be required to seek recovery from any insurer or other third party, or otherwise to mitigate our, their or your losses and expenses, in order to maintain and recover fully a claim against you You agree that a failure to pursue such recovery or mitigate a loss will in no way reduce or alter the amounts we or another Indemnified Party may recover from you

19 ENFORCEMENT.

19 1 Severability, Substitution of Valid Provisions Except as otherwise stated in this Agreement, each term of this Agreement, and any portion of any term, are severable The remainder of this Agreement will continue in full force and effect To the extent that any provision restricting your competitive activities is deemed unenforceable, you and we agree that such provisions will be enforced to the fullest extent permissible under governing law This Agreement will be deemed automatically modified to comply with such governing law if any applicable law requires (a) a greater prior notice of the termination of or refusal to renew this Agreement, or (b) the taking of some other action not described in this Agreement, or (c) if any CHURROHOLIC® System Standard is invalid or unenforceable We may modify such invalid or unenforceable provision to the extent required to be valid and enforceable In such event, you will be bound by the modified provisions

19 2 Waivers We will not be deemed to have waived our right to demand exact compliance with any of the terms of this Agreement, even if at any time (a) we do not exercise a right or power available to us under this Agreement, or (b) we do not insist on your strict compliance with the terms of this Agreement, or (c) if there develops a custom or practice which is at variance with the terms of this Agreement, or (d) if we accept payments which are otherwise due to us under this Agreement Similarly, our waiver of any particular breach or series of breaches under this Agreement or of any similar term in any other agreement between you and us or between us and any other franchise owner, will not affect our rights with respect to any later breach by you or anyone else

19 3 Limitation of Liability Neither of the parties will be liable for loss or damage or deemed to be in breach of this Agreement if failure to perform obligations results from

(a) compliance with any law, ruling, order, regulation, requirement or instruction of any federal, state or municipal government or any department or agency thereof,

(b) acts of God, or

(c) acts or omissions of a similar event or cause

However, such delays or events do not excuse payments of amounts owed at any time

19 4 Approval and Consents Whenever this Agreement requires our advance approval, agreement or consent, you agree to make a timely written request for it Our approval or consent will not be valid unless it is in writing Except where expressly stated otherwise in this Agreement, we have the absolute right to refuse any request by you or to withhold our approval of any action or omission by you If we provide to you any waiver, approval, consent, or suggestion, or if we neglect or delay our response or deny any request for any of those, we will not be deemed to have made any warranties or guarantees which you may rely on, and will not assume any liability or obligation to you

19 5 Waiver of Punitive Damages **EXCEPT FOR YOUR OBLIGATIONS TO INDEMNIFY US AND CLAIMS FOR UNAUTHORIZED USE OF THE MARKS OR CONFIDENTIAL INFORMATION, YOU AND WE EACH WAIVE TO THE FULL EXTENT PERMITTED BY LAW ANY RIGHT TO, OR CLAIM FOR, ANY PUNITIVE OR EXEMPLARY DAMAGES AGAINST THE OTHER. YOU AND WE ALSO AGREE THAT, IN THE EVENT OF A DISPUTE BETWEEN YOU AND US, THE PARTY MAKING A CLAIM WILL BE LIMITED TO EQUITABLE RELIEF AND RECOVERY OF ANY ACTUAL DAMAGES IT SUSTAINS.**

19 6 Limitations of Claims ANY AND ALL CLAIMS ARISING OUT OF THIS AGREEMENT OR THE RELATIONSHIP AMONG YOU AND US MUST BE MADE BY WRITTEN NOTICE TO THE OTHER PARTY WITHIN ONE YEAR FROM THE OCCURRENCE OF THE FACTS GIVING RISE TO SUCH CLAIM (REGARDLESS OF WHEN IT BECOMES KNOWN), EXCEPT FOR CLAIMS ARISING FROM· (A) UNDER-REPORTING OF GROSS SALES, (B) UNDER-PAYMENT OF AMOUNTS OWED TO US OR OUR AFFILIATES, (C) CLAIMS FOR INDEMNIFICATION, AND/OR (D) UNAUTHORIZED USE OF THE MARKS. HOWEVER, THIS PROVISION DOES NOT LIMIT THE RIGHT TO TERMINATE THIS AGREEMENT IN ANY WAY

19 7 Governing Law EXCEPT TO THE EXTENT THIS AGREEMENT OR ANY PARTICULAR DISPUTE IS GOVERNED BY THE U S TRADEMARK ACT OF 1946 (LANHAM ACT, 15 U S C §1051 AND THE SECTIONS FOLLOWING IT) OR OTHER FEDERAL LAW, THIS AGREEMENT AND THE FRANCHISE ARE GOVERNED BY THE LAW OF THE JURISDICTION IN WHICH YOU ARE LOCATED, EXCLUDING ANY LAW REGULATING THE SALE OF FRANCHISES OR GOVERNING THE RELATIONSHIP BETWEEN A FRANCHISOR AND FRANCHISE OWNER, UNLESS THE JURISDICTIONAL REQUIREMENTS OF SUCH LAWS ARE MET INDEPENDENTLY WITHOUT REFERENCE TO THIS SECTION ALL MATTERS RELATING TO ARBITRATION ARE GOVERNED BY THE FEDERAL ARBITRATION ACT References to any law or regulation also refer to any successor laws or regulations and any implementing regulations for any statute, as in effect at the relevant time References to a governmental agency also refer to any successor regulatory body that succeeds to the function of such agency

19 8 Jurisdiction YOU AND WE CONSENT AND IRREVOCABLY SUBMIT TO THE JURISDICTION AND VENUE OF ANY STATE OR FEDERAL COURT OF COMPETENT JURISDICTION LOCATED IN COUNTY AND STATE WHERE YOU ARE LOCATED, AND WAIVE ANY OBJECTION TO THE JURISDICTION AND VENUE OF SUCH COURTS THE EXCLUSIVE CHOICE OF JURISDICTION DOES NOT PRECLUDE THE BRINGING OF ANY ACTION BY THE PARTIES OR THE ENFORCEMENT BY THE PARTIES IN ANY JUDGMENT OBTAINED IN ANY SUCH JURISDICTION, IN ANY OTHER APPROPRIATE JURISDICTION OR THE RIGHT OF THE PARTIES TO CONFIRM OR ENFORCE ANY ARBITRATION AWARD IN ANY APPROPRIATE JURISDICTION.

19.9. Waiver of Jury Trial YOU AND WE EACH IRREVOCABLY WAIVE TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM, WHETHER AT LAW OR IN EQUITY, BROUGHT BY EITHER YOU OR US

19 10 Cumulative Remedies The rights and remedies provided in this Agreement are cumulative and neither you nor we will be prohibited from exercising any other right or remedy provided under this Agreement or permitted by law or equity

19 11. Costs and Attorneys' Fees If a claim for amounts owed by you to us or any of our affiliates is asserted in any legal or arbitration proceeding or if either you or we are required to enforce this Agreement in a judicial or arbitration proceeding, the party prevailing in such proceeding will be entitled to reimbursement of its costs and expenses, including reasonable accounting and attorneys' fees Attorneys' fees will include, without limitation, reasonable legal fees charged by attorneys, paralegal fees, and costs and disbursements, whether incurred prior to, or in preparation for, or contemplation of, the filing of written demand or claim, action, hearing, or proceeding to enforce the obligations of the parties under this Agreement

19.12 **<u>Binding Effect</u>** This Agreement is binding on and will inure to the benefit of our successors and assigns Except as otherwise provided in this Agreement, this Agreement will also be binding on your successors and assigns, and your heirs, executors and administrators

19 13 **<u>Entire Agreement</u>** This Agreement, including the introduction, addenda and exhibits to it, constitutes the entire agreement between you and us There are no other oral or written understandings or agreements between you and us concerning the subject matter of this Agreement, except for the information contained in our Franchise Disclosure Document Except as expressly provided otherwise in this Agreement, this Agreement may be modified only by written agreement signed by both you and us

19 14 **<u>No Liability to Others, No Other Beneficiaries</u>** We will not, because of this Agreement or by virtue of any approvals, advice or services provided to you, be liable to any person or legal entity who is not a party to this Agreement Except as specifically described in this Agreement, no other party has any rights because of this Agreement

19 15 **<u>Construction</u>** The headings of the sections are for convenience only If two or more persons are at any time franchise owners hereunder, whether or not as partners or joint venturers, their obligations and liabilities to us are joint and several This Agreement may be signed in multiple copies, each of which will be an original "**A or B**" means "**A**" or "**B**" or both

19.16 **<u>Certain Definitions</u>** The term "**family member**" refers to parents, spouses, offspring and siblings, and the parents and siblings of spouses The term "**affiliate**" means any Business Entity directly or indirectly owned or controlled by a person, under common control with a person or controlled by a person The terms "**franchisee**", "**franchise owner**", "**you**" **and** "**your**" are applicable to one or more persons, a Business Entity, as the case may be The singular use of any pronoun also includes the plural and the masculine and neuter usages include the other and the feminine The term "**person**" includes individuals or Business Entities The term "**section**" refers to a section or subsection of this Agreement The word "**control**" means the power to direct or cause the direction of management and policies The word "**owner**" means any person holding a direct or indirect, legal or beneficial ownership interest or voting rights in another person (or a transferee of this Agreement or an interest in you), including any person who has a direct or indirect interest in you or this Agreement and any person who has any other legal or equitable interest, or the power to vest in himself any legal or equitable interest, in the revenue, profits, rights or assets

19 17 **<u>Timing is of the Essence</u>** It will be a material breach of this Agreement to fail to perform any obligation within the time required or permitted by this Agreement In computing time periods from one date to a later date, the words "**from**" and "**commencing on**" (and the like) mean "**from and including**", and the words "**to,**" "**until**" and "**ending on**" (and the like) mean "**to but excluding** " Indications of time of day mean Westminster, Orange County, California time

20 <u>DISPUTE RESOLUTION</u>

20 1 **<u>Mediation</u>** During the term of this Agreement, certain disputes may arise between you and us that may be resolvable through mediation To facilitate such resolution, you and we agree that each party must, before commencing any arbitration proceeding, submit the dispute for non-binding arbitration at a mutually agreeable location (if you and we cannot agree on a location, the mediation will be conducted at our headquarters) to one mediator, appointed under the American Arbitration Association's Commercial Mediation Rules The mediator will conduct a mediation in accordance with such rules You and we agree that any statements made by either you or us in any such mediation proceeding will not be admissible in any subsequent arbitration or other legal proceeding Each party will bear its own costs and expenses of conducting the mediation and share equally the costs of any third parties who are required to participate Nevertheless, both you and we have the right in a proper case to obtain temporary restraining orders and temporary or preliminary injunctive relief from a court of competent jurisdiction However, the parties must immediately and contemporaneously submit the dispute for non-binding mediation If any dispute between the parties cannot be resolved through mediation within 60 days following the appointment of a mediator, the parties must submit the dispute to arbitration subject to the following terms and conditions

20 2 **<u>Agreement to Arbitrate</u>** Except for claims (as defined below) related to or based on the marks (which at our sole option may be submitted to any court of competent jurisdiction) and except as otherwise expressly provided by Section 20 4 of this Agreement, any litigation, claim, dispute, suit, action, controversy, proceeding or otherwise (**"Dispute"**) between or involving you and us (and/or involving you and/or any claim against or involving any of our or our affiliates' shareholders, directors, partners, officers, employees, agents, attorneys, accountants, affiliates, guarantors or otherwise), which are not resolved within 45 days of notice from either you or we to the other, will be submitted to arbitration to the office of the American Arbitration Association closest to our headquarters in Westminster, California The arbitration will be conducted by the American Arbitration Association pursuant to its commercial arbitration rules All matters relating to arbitration will be governed by the federal arbitration act (9 U S C §§1 <u>et seq</u>) and not by any state arbitration law The parties to any arbitration will execute an appropriate confidentiality agreement, excepting only such disclosures and filings as are required by law

20 3 **<u>Place and Procedure</u>** The arbitration proceedings will be conducted at our headquarters in Westminster, California Any dispute and any arbitration will be conducted and resolved on an individual basis only and not a class-wide, multiple plaintiff or similar basis Any such arbitration proceeding will not be consolidated with any other arbitration proceeding involving any other person, except for disputes involving affiliates of the parties to such arbitration The parties agree that, in connection with any such arbitration proceeding, each must submit or file any claim which would constitute a compulsory counterclaim (as defined by rule 13 of the federal rules of civil procedure) within the same proceeding as the dispute to which it relates Any such dispute which is not submitted or filed in such proceeding will be barred

20 4 **<u>Awards and Decisions</u>** The proceedings will be heard by one arbitrator The arbitrator will have the right to award any relief which he deems proper in the circumstances, including, for example, money damages (with interest on unpaid amounts from their due date(s)), specific performance, temporary and/or permanent injunctive relief, and reimbursement of attorneys' fees and related costs to the prevailing party The arbitrator will not have the authority to award exemplary or punitive damages except as otherwise permitted by this Agreement, nor the right to declare any mark generic or otherwise invalid You and we agree to be bound by the provisions of any limitations or the time on which claims must be brought under applicable law or under this Agreement, whichever expires earlier The award and decision of the arbitrator will be conclusive and binding and judgment on the award may be entered in any court of competent jurisdiction The parties acknowledge and agree that any arbitration award may be enforced against either or both of them in a court of competent jurisdiction and each waives any right to contest the validity or enforceability of such award Without limiting the foregoing, the parties will be entitled in any such arbitration proceeding to the entry of an order by a court of competent jurisdiction pursuant to an opinion of the arbitrator for specific performance of any of the requirements of this Agreement Judgment upon an arbitration award may be entered in any court having jurisdiction and will be binding, final and non-appealable

20 5 **<u>Specific Performance</u>** Nothing in this Agreement will prevent either you or us from obtaining temporary restraining orders and temporary or preliminary injunctive relief in a court of competent jurisdiction However, you and we must contemporaneously submit the dispute for arbitration on the merits

20 6 Third Parties The arbitration provisions of this Agreement are intended to benefit and bind certain third party non-signatories, and all of yours and our principal owners and affiliates

20 7 Survival This provision continues in full force and effect subsequent to and notwithstanding the expiration or termination of this Agreement for any reason

21 NOTICES AND PAYMENTS All written notices and reports permitted or required under this Agreement or by the Manuals will be deemed delivered

(a) at the time delivered by hand,

(b) 1 business day after transmission by facsimile, telecopy or other electronic system,

(c) 2 business days after being placed in the hands of a commercial airborne courier service for next business day delivery, or

(d) 3 business days after placement in the United States mail by registered or certified mail, return receipt requested, postage prepaid

All such notices must be addressed to the parties as follows

If to Us CHURROHOLIC FRANCHISING, INC
12802 Hoover Street
Garden Grove, California 92841
Attention President

If to You ______________________________
____
____
Attention ________________________

Either you or we may change the address for delivery of all notices and reports and any such notice will be effective within 10 business days of any change in address Any required payment or report not actually received by us during regular business hours on the date due (or postmarked by postal authorities at least 2 days prior to such date, or in which the receipt from the commercial courier service is not dated prior to 2 days prior to such date) will be deemed delinquent

21 2 Electronic Mail You acknowledge and agree that exchanging information with us by e-mail is efficient and desirable for day-to-day communications and that we and you may utilize e-mail for such communications You authorize the transmission of e-mail by us and our employees, vendors, and affiliates ("**Official Senders**") to you during the term of this Agreement You further agree that (a) Official Senders are authorized to send e-mails to those of your employees as you may occasionally authorize for the purpose of communicating with us, (b) you will cause your officers, directors, and employees to give their consent to Official Senders' transmission of e-mails to them, (c) you will require such persons not to opt out or otherwise ask to no longer receive e-mails from Official Senders during the time that such person works for or is affiliated with you, and (d) you will not opt out or otherwise ask to no longer receive e-mails from Official Senders during the term of this Agreement The consent given in this Section 21 2 does not apply to the provision of notices by either party under this Agreement pursuant to Section 21 1 using e-mail unless the parties otherwise agree in a written document manually signed by both parties

22 COMPLIANCE WITH ANTI-TERRORISM LAWS

You and your owners agree to comply, and to assist us to the fullest extent possible in our efforts to comply, with Anti-Terrorism Laws (defined below) In connection with that compliance, you and your owners certify, represent, and warrant that none of your property or interests is subject to being blocked under, and that you and your owners otherwise are not in violation of, any of the Anti-Terrorism Laws "**Anti-Terrorism Laws**" mean Executive Order 13224 issued by the President of the United States, the USA PATRIOT Act, and all other present and future federal, state, and local laws, ordinances, regulations, policies, lists, and other requirements of any governmental authority addressing or in any way relating to terrorist acts and acts of war Any violation of the Anti-Terrorism Laws by you or your owners, or any blocking of your or your owners' assets under the Anti-Terrorism Laws, constitutes good cause for immediate termination of this Agreement

Intending to be bound, you and we sign and deliver this Agreement in 2 counterparts on the Agreement Date

"US"	**"YOU"**
CHURROHOLIC FRANCHISING, INC	______________________________
	[***Business Entity Name***]
By ______________________	By ______________________
Name ____________________	Name ____________________
Title _____________________	Title _____________________
Date _____________________	Date _____________________

EXHIBIT "A"

GLOSSARY

EXHIBIT C TO THE DISCLOSURE DOCUMENT

FORM OF CONDITIONAL ASSIGNMENT OF

TELEPHONE NUMBERS AND LISTINGS

CONDITIONAL ASSIGNMENT OF TELEPHONE NUMBERS AND LISTINGS

THIS CONDITIONAL ASSIGNMENT OF TELEPHONE NUMBERS AND LISTINGS (this "**Assignment**") is effective as of ___________, 20__, between **CHURROHOLIC FRANCHISING, INC**, a California corporation with its principal place of business at 12602 Hoover Street, Garden Grove, California 92841 ("**we**," "**us**" or "**our**") and ________________, whose current place of business is ___________________________________ ("**you**" or "**your**") You and we are sometimes referred to collectively as the "**parties**" or individually as a "**party**"

BACKGROUND INFORMATION

We have simultaneously entered into the certain Franchise Agreement (the "**Franchise Agreement**") dated as of ___________, 20___ with you, pursuant to which you plan to own and operate a CHURROHOLIC® Restaurant (the "**Restaurant**") The CHURROHOLIC® Restaurants use certain proprietary knowledge, procedures, formats, systems, forms, printed materials, applications, methods, specifications, standards and techniques authorized or developed by us (collectively the "**System**") We identify CHURROHOLIC® Restaurants and various components of the System by certain trademarks, trade names, service marks, trade dress and other commercial symbols (collectively the "**Marks**") In order to protect our interest in the System and the Marks, we will have the right to control the telephone numbers and listings of the Restaurant if the Franchise Agreement is terminated

OPERATIVE TERMS

You and we agree as follows

1 **Background Information** The background information is true and correct This Assignment will be interpreted by reference to the background information Terms not otherwise defined in this Assignment will have the meanings as defined in the Franchise Agreement

2 **Conditional Assignment** You assign to us, all of your right, title and interest in and to those certain telephone numbers and regular, classified or other telephone directory listings (collectively, the "**Numbers and Listings**") associated with the Marks and used from time to time in connection with the operation of the Restaurant This Assignment is for collateral purposes only We will have no liability or obligation of any kind whatsoever arising from or in connection with this Assignment, unless we notify the telephone company and/or the listing agencies with which you have placed telephone directory listings (collectively, the "**Telephone Company**") to effectuate the assignment of the Numbers and Listings to us Upon termination or expiration of the Franchise Agreement we will have the right and authority to ownership of the Numbers and Listings In such event, you will have no further right, title or interest in the Numbers and Listings and will remain liable to the Telephone Company for all past due fees owing to the Telephone Company on or before the date on which the assignment is effective As between us and you, upon termination or expiration of the Franchise Agreement, we will have the sole right to and interest in the Numbers and Listings

3 **Power of Attorney** You irrevocably appoint us as your true and lawful attorney-in-fact to (a) direct the Telephone Company to effectuate the assignment of the Numbers and Listings to us, and (b) sign on your behalf such documents and take such actions as may be necessary to effectuate the assignment Notwithstanding anything else in the Assignment, however, you will immediately notify and instruct the Telephone Company to effectuate the assignment described in this Assignment to us when, and only when (i) the Franchise Agreement is terminated or expires, and (ii) we instruct you to so notify the Telephone Company If you fail to promptly direct the Telephone Company to effectuate the assignment of the Numbers and Listings to us, we will direct the Telephone Company to do so The Telephone Company may accept our written direction, the Franchise Agreement or this Assignment as conclusive proof of our exclusive rights in and to the Numbers and Listings upon such termination or expiration The assignment will become immediately and automatically effective upon Telephone

Company's receipt of such notice from you or us If the Telephone Company requires that you and/or we sign the Telephone Company's assignment forms or other documentation at the time of termination or expiration of the Franchise Agreement, our signature on such forms or documentation on your behalf will effectuate your consent and agreement to the assignment At any time, you and we will perform such acts and sign and deliver such documents as may be necessary to assist in or accomplish the assignment described herein upon termination or expiration of the Franchise Agreement The power of attorney conferred upon us pursuant to the provisions set forth in this Assignment is a power coupled with an interest and cannot be revoked, modified or altered without our consent

4 **Indemnification** You will indemnify and hold us and our affiliates, stockholders, directors, officers and representatives (collectively, the "**Indemnified Parties**") harmless from and against any and all losses, liabilities, claims, proceedings, demands, damages, judgments, injuries, attorneys' fees, costs and expenses that any of the Indemnified Parties incur as a result of any claim brought against any of the Indemnified Parties or any action which any of the Indemnified Parties are named as a party or which any of the Indemnified Parties may suffer, sustain or incur by reason of, or arising out of, your breach of any of the terms of any agreement or contract or the nonpayment of any debt you have with the Telephone Company

5 **Binding Effect** This Assignment is binding upon and inures to the benefit of the parties and their respective successors-in-interest, heirs, and successors and assigns

6 **Assignment to Control** This Assignment will govern and control over any conflicting provision in any agreement or contract which you may have with the Telephone Company

7 **Attorney's Fees, Etc** In any action or dispute, at law or in equity, that may arise under or otherwise relate to this Assignment or the enforcement thereof, the prevailing party will be entitled to reimbursement of its attorneys' fees, costs and expenses from the non-prevailing party The term "attorneys' fees" means any and all charges levied by an attorney for his or her services including time charges and other reasonable fees including paralegal fees and legal assistant fees and includes fees earned in settlement, at trial, appeal or in bankruptcy proceedings and/or in arbitration proceedings

8 **Severability** If any of the provisions of this Assignment or any section or subsection of this Assignment are held invalid for any reason, the remainder of this Assignment or any such section or subsection will not be affected, and will remain in full force and effect in accordance with its terms

9 **Governing Law and Forum** This Assignment is governed by the state law where your Restaurant is located The parties will not institute any action against any of the other parties to this Assignment except in the state or federal courts of general jurisdiction in location of your Restaurant, and they irrevocably submit to the jurisdiction of such courts and waive any objection they may have to either the jurisdiction or venue of such court

ASSIGNOR:	**ASSIGNEE:**
	CHURROHOLIC FRANCHISING, INC
By ______________________	By ______________________
Name ____________________	Name ____________________
Title _____________________	Title _____________________
Date _____________________	Date _____________________

STATE OF ______________________)
) **SS**
COUNTY OF ____________________)

The foregoing instrument was acknowledged before me this ______ day of ______________, 20___, by ____________________________, as ____ of ______________________________, a ______________________________, on behalf of said ______________ He/She is personally known to me or has produced _________________ as identification

____
Printed Name ______________________________
NOTARY PUBLIC
(Notarial Seal)
Commission No______________________________
State of ____________ at Large
My Commission Expires

STATE OF CALIFORNIA)
) **SS**
COUNTY OF ____________________)

The foregoing instrument was acknowledged before me this ____ day of ______________, 20____, by ____________________________ as ______________________ of **CHURROHOLIC FRANCHISING, INC** , a California corporation, on behalf of said corporation He/She is personally known to me or has produced ___________________ as identification

____
Printed Name ______________________________
NOTARY PUBLIC
(Notarial Seal)
Commission No ______________________________
State of ____________ at Large
My Commission Expires

THIS CONDITIONAL ASSIGNMENT OF TELEPHONE NUMBERS AND LISTINGS is accepted and agreed to by

____
(TELEPHONE COMPANY)

By ______________________________
Name ______________________________
Its ______________________________
Date ______________________________

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EXHIBIT D TO THE DISCLOSURE DOCUMENT

FORM OF

COLLATERAL ASSIGNMENT AND ASSUMPTION OF LEASE

AND

LEASE RIDER

COLLATERAL ASSIGNMENT AND ASSUMPTION OF LEASE

THIS COLLATERAL ASSIGNMENT AND ASSUMPTION OF LEASE (this "**Assignment**") is effective as of the effective date of the Lease (as defined below), between and among **CHURROHOLIC FRANCHISING, INC**, a California corporation with its principal place business at 12602 Hoover Street, Garden Grove, California 92841 ("**we**," "**us**," "**our**" or the "**Franchisor**"), and ______________________________________, a ______________ (corporation, partnership, limited liability company) whose current principal place of business is ___________________________ ("**you**," "**your**" or the "**Franchisee**") You and we are sometimes referred to collectively as the "**parties**" or individually as a "**party** "

BACKGROUND INFORMATION

We entered into that certain Franchise Agreement (the "**Franchise Agreement**") effective as of ____________, 20__ with you, pursuant to which you plan to own and operate a franchised CHURROHOLIC® Restaurant ("**Restaurant**") located at ______________________________ (the "**Restaurant Premises**") In addition, pursuant to that certain Lease Agreement (the "**Lease**"), you have leased or will lease certain space containing the Restaurant Premises described therein from ____________________________________ The Franchise Agreement requires you to deliver this Assignment to us before you open your Restaurant and commence business

OPERATIVE TERMS

We and you agree as follows

1 **Background Information** The background information is true and correct This Assignment will be interpreted by reference to, and construed in accordance with, the background information Terms not otherwise defined in this Assignment will have the meanings as defined in the Lease

2 **Indemnification** You agree to indemnify and hold us and our affiliates, stockholders, directors, officers and representatives (collectively, the "**Indemnified Parties**") harmless from and against any and all losses, liabilities, claims, proceedings, demands, damages, judgments, injuries, attorneys' fees, costs and expenses that any of the Indemnified Parties incur as a result of any claim brought against any of the Indemnified Parties or any action which any of the Indemnified Parties are named as a party or which any of the Indemnified Parties may suffer, sustain or incur by reason of, or arising out of, your breach of any of the terms of the Lease, including the failure to pay rent or any other terms and conditions of the Lease

3 **Collateral Assignment** You grant to us a security interest in and to the Lease, all of the furniture, removable trade, fixtures, inventory, licenses and supplies located in the Restaurant Premises and the franchise relating to your Restaurant, and all of your rights, title and interest in and to the Lease as collateral for (a) the payment of any obligation, liability or other amount owed by you or your affiliates to the Lessor arising under the Lease, (b) for any default or breach of any of the terms and provisions of the Lease, and (c) for any default or breach of any of the terms and provisions of the Franchise Agreement with us The term "**Collateral**" shall specifically exclude any items which are fixtures and thus property of the landlord under the laws of the state where the Restaurant Premises is located and any personal property or other items owned by Landlord In the event of a breach or default by you under the terms of the Lease, or, in the event we make any payment to the Lessor as a result of your breach of the Lease, then such payment by us, or such breach or default by you, will at our option be deemed to be an immediate default under the Franchise Agreement, and we will be to the possession of the Restaurant Premises and to all of your rights, title and interest in and to the Lease and to all other remedies described herein, in the Franchise Agreement or at law or in equity, without prejudice to any of our other rights or remedies under any other agreements or under other applicable laws or equities This Assignment will constitute a lien on your interest in and to the Lease until satisfaction in full of all amounts owed by you to us In addition, our rights, as provided by this Assignment, to assume all obligations under the Lease are totally optional on our part, to be exercised in our sole discretion You will execute any and all Uniform Commercial Code financing statements and all other documents and instruments deemed necessary by us to perfect or document the interests and assignments granted herein

4 **No Subordination** Other than the lien created by this Assignment, the Franchise Agreement, the Lessor's lien under the Lease, liens securing bank financing for your operations in the Restaurant Premises, and the agreements and other instruments referenced herein, and any mortgage debt of the Lessor (provided Lessor's mortgagee enters into a non-disturbance agreement), you will not permit the Lease to become subordinate to any lien without first obtaining our written consent You will not terminate, modify or amend any of the provisions or terms of the Lease without our prior written consent Any attempt at termination, modification or amendment of any of the terms without such written consent will be null and void

5 **Exercise of Remedies** We will be entitled to exercise any one or more of the following remedies in our sole discretion in the event of any default by you under the terms of the Lease, the Franchise Agreement

(a) to take possession of the Restaurant Premises, or any part thereof, personally, or by our agents or attorneys,

(b) to, in our discretion, without notice and with or without process of law, enter upon and take and maintain possession of all or any part of the Restaurant Premises, together with all of your furniture, fixtures, inventory, books, records, papers and accounts,

(c) to exclude you, your agents or employees from the Restaurant Premises,

(d) as attorney-in-fact for you, or in our own name, and under the powers herein granted, to hold, operate, manage and control Restaurant and conduct the business, if any, thereof, either personally or through our agents, with full power to use such legally rectifiable measures which may, in our sole discretion, be deemed proper or necessary to cure such default, including actions of forcible entry or detainer and actions in distress of rent, hereby granting full power and authority to us to exercise each and every of the rights, privileges and powers herein granted at any and all times hereafter,

(e) to cancel or terminate any unauthorized agreements or subleases you entered into, for any cause or ground which would entitle us to cancel the same,

(f) to disaffirm any unauthorized agreement, sublease or subordinated lien and, with Lessors consent, which shall not be unreasonably withheld, conditioned, or delayed, to make all necessary or proper repairs, decorations, renewals, replacements, alterations, additions, betterments and improvements to the Restaurant Premises that are in our sole discretion judicious,

(g) to insure and reinsure the same for all risks incidental to our possession, operation and management thereof, and/or

(h) notwithstanding any provision of any agreement to the contrary, to declare all of your rights but not obligations under the Franchise Agreement to be immediately terminated as of the date of your default under the Lease

6 **Power of Attorney** You irrevocably appoint us as your true and lawful attorney-in-fact and authorize us, upon any default under the Lease or under the Franchise Agreement, with or without taking possession of the Restaurant Premises, to operate, rent, lease, and manage the Restaurant Premises to or by any person, firm or corporation upon such terms and conditions as we may determine in our discretion, and with the same rights and powers and immunities, exoneration of liability and rights of recourse and indemnity as we would have upon taking possession of the Restaurant Premises pursuant to the provisions set forth in the Lease and this Assignment The power of attorney conferred upon us pursuant to this Assignment is a power coupled with an interest and cannot be revoked, modified or altered without our written consent

7 **Election of Remedies** The provisions set forth in this Assignment will be deemed a special remedy given to us and will not be deemed to exclude any of the remedies granted in the Franchise Agreement or any other agreement between you and us, but will be deemed an additional remedy and will be cumulative with the remedies therein and elsewhere granted to us, all of which

remedies will be enforceable concurrently or successively No exercise by us of any of the rights hereunder will cure, waive or affect any default hereunder or default under the Franchise Agreement No inaction or partial exercise of rights by us will be construed as a waiver of any of our rights and remedies and no waiver by us of any such rights and remedies will be construed as a waiver by us of any future rights and remedies

8 **Copies of Reports** Franchisee hereby agrees that it will provide to Franchisor copies of all reports and information that Franchisee must provide to Landlord under the Lease Franchisee expressly permits the Lessor to deliver to us all reports and information that you must provide it under the Lease Any agreement that is made between Landlord and Franchisee shall require Landlord to provide to Franchisor a copy of any notice that it sends to Franchisee and that Landlord must provide to Franchisor notice of any and all delinquency or breaches by Franchisee under such agreement (including, but not limited to, the Lease) or pending forfeiture of Franchisee's rights under such agreement, including, but not limited to, the Lease

9 **Binding Effect** This Assignment and all provisions herein will be binding upon and inure to the benefit of the parties and their respective successors-in-interest, heirs, and successors and assigns, except as otherwise provided herein All individuals executing on behalf of entities, corporate or otherwise, hereby represent and warrant that such execution has been duly authorized by all necessary authorizations and approvals for such entities

10 **Assignment to Control** This Assignment will govern and control over any conflicting provision in the Lease, provided that this agreement shall in no way limit or abridge the rights of Lessor under the Lease except as otherwise provided herein

11 **Attorney's Fees, Etc** In any action or dispute, at law or in equity, that may arise under or otherwise relate to this Assignment, the prevailing party will be entitled to reimbursement of its attorneys' fees, costs and expenses from the non-prevailing party The term "**attorneys' fees**" means any and all charges levied by an attorney for his or her services including time charges and other reasonable fees including paralegal fees and legal assistant fees and includes fees earned in settlement, at trial, appeal or in bankruptcy proceedings and/or in arbitration proceedings

12 **Severability** If any of the provisions of this Assignment or any section or subsection of this Assignment are held invalid for any reason, the remainder of this Assignment or any such section or subsection will not be affected thereby and will remain in full force and effect in accordance with its terms

13 **Governing Law and Forum** This Assignment and the rights and obligations of the parties hereunder shall in all respects be governed by, construed, and enforced in accordance with the laws of the State of where your Restaurant is located except to the extent of procedural and substantive matters relating only to the creation, perfection, foreclosure, and enforcement of rights and remedies against the Restaurant Premises, which such matters shall be governed by the laws of the State where the Restaurant Premises are located

The parties hereby agree that any action relating to this Assignment (other than those procedural and substantive matters regarding the foreclosure and enforcement of right and remedies against the Restaurant Premises) shall be brought in the State or Federal Courts of general jurisdiction in the county in which Franchisor's principal headquarters are located, and the parties irrevocably submit to the jurisdiction of such courts and waive any objection they may have to either the jurisdiction or venue of such court

14 **Headings** The headings contained in this Assignment are for convenience of reference only and must not in any way modify or limit the meaning or interpretation of this Assignment

15 **Pronouns and Gender** All terms and words used in this Assignment, regardless of the number or gender in which they are used, will be deemed and construed to include any other number, singular or plural, and any other gender, masculine, feminine or neuter, as the context or sense of this Assignment or any section, subsection, paragraph or clause may require, as if such words had been fully and properly written in the appropriate number and gender

16 **Assignment to Franchisor** In the event Franchisor elects to assume Franchisee's interest in the Lease, Franchisee shall promptly vacate the premises Franchisee agrees that Landlord is not liable and shall indemnify and hold Landlord harmless in the event that Landlord transfers interest in the Lease to Franchisor

IN WITNESS WHEREOF, the parties have caused this Assignment to be executed as of the day and year first above written

WITNESS

By ______________________
Name ______________________

By ______________________
Name ______________________

THE "FRANCHISOR"

CHURROHOLIC FRANCHISING, INC
12602 Hoover Street
Garden Grove, California 92841
949 466 4252

By ______________________
Name ______________________
Title ______________________

THE "FRANCHISEE"

Address ______________________
____
Phone ______________________

By ______________________
Name ______________________
Title ______________________

Required Language for all CHURROHOLIC® Franchisee Leases: must be included in Rider or Addendum to Lease

RIGHTS OF FRANCHISOR

~~RIDER TO LEASE BET~~WEEN

____ **AND**

____

THIS RIGHTS OF FRANCHISOR RIDER is effective as of ______________ (the "**Effective Date**"), and is being signed simultaneously with the Lease (the "**Lease**") dated ______________________ between ____________________________________ (the "**Franchisee**" or "**Tenant**") and ____ (the "**Landlord**") for the real property commonly known as ______________________________ ____ (the "**Premises**")

1 **Incorporation and Precedence** This Rider is incorporated into the Lease and supersedes any conflicting provisions in it Capitalized terms not otherwise defined in this Rider have the meanings as defined in the Lease

2 **Background** The Tenant will operate a CHURROHOLIC® Restaurant at the Premises under a Franchise Agreement with Churroholic Franchising, Inc (the "**Franchisor**") By entering into a franchise relationship with the Franchisor, the Tenant has agreed to grant the Franchisor a security interest in the Lease, all of the furniture, removable trade fixtures, kitchen equipment dining tables and booths, lamps and lighting fixtures, inventory, licenses and supplies located in the Premises as collateral for (a) the payment of any obligation, liability or other amount owed by the Tenant or its affiliates to the Landlord arising under the Lease, (b) any default or breach of any of the terms and provisions of the Lease, and (c) for any default or breach of any of the terms and provisions of the Franchise Agreement with the Franchisor The Franchise Agreement also requires that the Lease contain certain provisions that the Tenant is requesting the Landlord to include

3 **Signage** The Tenant has the right to install and maintain for the Term of the Lease, CHURROHOLIC® Restaurant System standard signage (the "**Signage**") in the size and specifications set forth in, and in all respects in compliance with, the Franchisor's signage standards, a copy of which is attached to this Rider

4 **Grant of License** The Landlord grants to the Tenant during the term of the Lease a non-exclusive right and easement over that portion of the property as may be required by the Tenant to improve, renovate, repair, replace and maintain the Premises or replace its Signage or its panel on the pylon sign for the property The Tenant has the right to change or alter the Signage at any time during the term of the Lease provided the Signage is in compliance with all applicable governmental codes and regulations The Signage may include (a) signage on the exterior front wall of the Premises, (b) signage on another exterior portion of the Premises, (c) a separate pylon sign on the property, (d) separate signage on the property, (e) a panel on the pylon sign for the property, and (f) other signage which may be required by the Franchisor or agreed upon by the Landlord and the Tenant

5 **Copies of Reports** The Landlord agrees to provide copies of all reports, information and data in Landlord's possession respecting sales made in, upon or from the Premises on a timely basis, upon written request, but no more than quarterly in any calendar year during the Term of the Lease

6 **Waiver of Landlord's Lien** The Landlord waives lien rights for the following items to the Franchisor

(a) **Signage** – Any type of signage, interior or exterior, bearing in any form CHURROHOLIC® logo, name or insignia

(b) **Branded Items, Retail Merchandise, Menus and Point of Sale Materials** – Any item bearing in any form CHURROHOLIC® or associated logo, name or insignia, including, without limitation retail merchandise, menus, table tents, napkins, and drinkware

(c) **Hardware, Software and Customer Database** – Any software or hardware not available to the general public, especially including those items which are used by or have been created to be used by or communicate within CHURROHOLIC® Franchise System Any form of database, including the reservation book(s), which contain customer names and/or other miscellaneous customer information

(f) **Operating Manuals, Recipes, Documents and Files** – Any manual, document or otherwise related form which is used by CHURROHOLIC® Franchise system, including all CHURROHOLIC® Standards Forms, files (including electronic files), Operations Manual, and other manuals, internal releases and newsletters

(g) **Trade Dress** – Any item of clothing, including aprons, bearing in any form CHURROHOLIC® logo, name or insignia

(h) **Products** – Any product that is supplied to the franchisee and not otherwise available to the general public This also includes the containers and labels for CHURROHOLIC® To-Go items, if any

7 __Notice of Default__ The Landlord will give written notice to the Franchisor (concurrently with the giving of such notice to the Tenant) of any defaults (a "**Default**") by the Tenant under the Lease by certified mail, return receipt requested, or by nationally recognized overnight courier service, at the following address or to such other address as the Franchisor may provide to Landlord from time to time

Churroholic Franchising, Inc
12602 Hoover Street
Garden Grove, California 92841

Upon receipt of a Notice of Default, the Tenant agrees to authorize the Landlord to communicate with the Franchisor and the Landlord agrees to communicate with a representative of the Franchisor concerning, but not limited to, the terms and conditions of the Default

8 __Franchisor's Assumption of Lease__ The Landlord consents to the Franchisor's assumption of all of the Tenant's rights and obligations under the Lease upon the occurrence of either of the following events under the terms and conditions set forth

(a) **Default of Franchisee under the Lease**, If the Tenant fails to cure a Default within the period specified within the Lease, then Landlord will, within 1 business day following the expiration of such cure period, give the Franchisor written notice of such failure to cure a Default, and offer the Franchisor the option to assume Tenant's interest in the Lease (the "**Offer**") so long as the Franchisor cures any default capable of being cured by Franchisor Nevertheless, the Franchisor has no obligation to cure any monetary default (i) if the Franchisor was not given notice by the Landlord within 20 days following the date when such payment was due, or (ii) any amount in excess of 2 months base rental The Landlord will attach a complete copy of the Lease and any amendments thereto to the Offer If the Franchisor accepts the Offer, the Franchisor must send written notice of its acceptance to the Landlord and the Tenant (the "**Acceptance**") within 15 business days after receipt of the Offer from the Landlord Failure of the Franchisor to send the Acceptance constitutes a waiver of the Franchisor's right to assume the Lease In the event that the Franchisor accepts the Offer, then the Franchisor, in order for the Offer and the Acceptance to remain in full force and effect, must cure the defaults that are capable of being cured by the Franchisor within 5 business days of the Acceptance if such default is monetary, or within 30 days of the Acceptance if such default is non-monetary If the Franchisor is not capable of curing such non-monetary default during the 30 days, an extension of an additional 30 days will be granted provided the Franchisor is diligently pursuing such cure Failure of the Franchisor to effect such cure within such time periods constitutes a rejection of the Offer

(b) **Upon Termination of the Franchise Agreement** If during the term of the Lease or any extensions thereof, the Franchisor notifies the Landlord, in writing, that the Tenant's Franchise Agreement with the Franchisor has been terminated, then the Landlord will promptly give the Franchisor written notice specifying the defaults, if any, of the Tenant under the Lease, and will offer the Franchisor the option to assume all of the Tenant's interest in the Lease

9 **Assignment of Lease to the Franchisor** In the event the Franchisor elects to assume the Tenant's interest in the Lease, the Landlord will promptly deliver possession of the Premises to the Franchisor provided that the Franchisor has executed and delivered an assignment and assumption agreement to Landlord, in a form mutually agreeable to the Landlord and the Franchisor, and the Franchisor has agreed to cure all of the Tenant's defaults capable of being cured by the Franchisor The Tenant agrees that the Landlord is not liable and indemnifies and holds the Landlord harmless in the event that the Landlord transfers interest in the Lease to the Franchisor in accordance with this Rider After the Franchisor assumes the Tenant's interest under the Lease, the Franchisor may, at any time, assign such interest or sublet the premises to one of it's franchisees upon written notice to the Landlord, provided that such franchisee is of same, or greater, net worth as the Tenant Upon such transfer, the Franchisor will have no further liability or obligation to the Landlord under the Lease accruing after such transfer

10 **Amendment** The Landlord and the Tenant will not cancel, terminate, modify or amend the Lease including, without limitation, Franchisor's rights under this Rider, without the Franchisor's prior written consent, except that, subject to the Franchisor's cure rights, this paragraph will not prevent the Landlord from exercising any right to cancel or terminate the Lease due to Tenant's default

11 **Benefits and Successors** The benefits of this Rider inure to the Franchisor and to its successor and assigns

12 **Remaining Provisions Unaffected** Those parts of the Lease that are not expressly modified by this Rider remain in full force and effect

Intending to be bound, the Landlord and the Tenant sign and deliver this Rider effective on the Effective Date, regardless of the actual date of signature

THE "Landlord"

____

Address ____________________________

Phone ____________________________

____

By ____________________________
Name ____________________________
Title ____________________________

THE "TENANT"

____
Address ____________________________
____
Phone ____________________________

By ____________________________
Name ____________________________
Title ____________________________

CHURROHOLIC® RESTAURANT SYSTEM

SIGNAGE STANDARDS

EXHIBIT E TO THE DISCLOSURE DOCUMENT

FORM OF

CONFIDENTIALITY, NONSOLICITATION

AND NONCOMPETITION AGREEMENT

CONFIDENTIALITY, NONSOLICITATION AND NONCOMPETITION AGREEMENT

THIS CONFIDENTIALITY, NONSOLICITATION AND NONCOMPETITION AGREEMENT (this "**Agreement**") is effective as of ______________, 20___, between ___________ ______________________________(the "**Franchisee,**" "**we,**" "**us**" or **our**") and _______________ ____ ("**you**" or "**your**")

BACKGROUND INFORMATION

We have entered into a Franchise Agreement (the "**Franchise Agreement**") with Churroholic Franchising, Inc (the "**Franchisor**") to operate a CHURROHOLIC® Restaurant franchise (the "**Restaurant(s)**") The Restaurant is operated pursuant to formats, specifications, standards, methods and procedures prescribed or approved by the Franchisor (the "**System**") We and the Franchisor possess certain confidential information, which includes without limitation (a) the System and the know-how related to its use, (b) plans, specifications, size and physical characteristics of CHURROHOLIC® Restaurants, (c) site selection criteria, land use and zoning techniques and criteria, (d) methods in obtaining licensing and meeting regulatory requirements, (e) sources and design of equipment, furniture, forms, materials and supplies, (f) marketing, advertising and promotional programs, (g) staffing and delivery methods and techniques for personal services, (h) the selection, testing and training of personnel, (i) any computer software, (j) methods, techniques, formats, specifications, procedures, information and systems related to and knowledge of and experience in the development, operation and franchising of CHURROHOLIC® Restaurants, (k) knowledge of specifications for and suppliers of certain products, materials, supplies, furniture, furnishings and equipment, (l) menus and food preparation techniques, and (m) knowledge of operating results and financial performance of CHURROHOLIC® Restaurants other than those operated by Franchisee (or its Affiliates) Confidential Information does not include, however, any information that (a) is now or subsequently becomes generally available to the public through no fault of Franchisee, (b) Franchisee can demonstrate was rightfully in its possession, without obligation of nondisclosure, prior to disclosure pursuant to this Agreement, (c) is independently developed without the use of any Confidential Information, or (d) is rightfully obtained from a third party who has the right, without obligation of nondisclosure, to transfer or disclose such information (the "**Confidential Information**")

You understand that the System and Confidential Information are the Franchisor's proprietary trade secrets and confidential You acknowledge that we and the Franchisor have and will provide you with specialized and extensive training regarding operation of the Business and have invested considerable time, funds and resources to do so We have an obligation under the Franchise Agreement to maintain such Confidential Information as secret and confidential You represent to us and the Franchisor that you have other skills that you can utilize if, for any reason, your relationship with us ends

OPERATIVE TERMS

Accordingly, you and we agree as follows

1 **Confidentiality** You will (i) not use the Confidential Information in any other business or capacity, (ii) maintain the absolute confidentiality of the Confidential Information during and after the term of your ownership in, or employment by us, (iii) not make unauthorized copies of any portion of the Confidential Information disclosed in written or electronic form, and (iv) comply with all procedures we prescribe from time to time to prevent unauthorized use or disclosure of the Confidential Information

2 **In-Term Competitive Restrictions** During the time that you are one of our owners or employees, unless we otherwise permit in writing or except in accordance with another franchise agreement with us, you agree that you will not, directly or indirectly (e g , through a spouse, child or other immediate family member)

(a) have any direct or indirect interest as a disclosed or beneficial owner, or in any other capacity in any business that operates, manages, offers or provides (or grants franchises or licenses to others to operate a business that operates, manages, offers or provides), directly or indirectly, any business or facility owning, operating or managing, or granting franchises or licenses to others to do so, any Restaurant or food service facility that is the same or similar to a CHURROHOLIC® Restaurant or that offers grilled cheese sandwiches fare for 25% or more of its menu offerings (other than a CHURROHOLIC® Restaurant operated under a franchise agreement with us) (a "**Competitive Business**"), provided, however, that the term "**Competitive Business**" shall not apply to (a) any business operated by Franchisee under a Franchise Agreement with Franchisor, or (b) any business operated by a publicly-held entity in which Franchisee owns less than a 5% legal or beneficial interest,

(b) perform services as a director, officer, manager, employee, consultant, representative, agent or otherwise for a Competitive Business, wherever located,

(c) recruit or hire any employee of ours, of the Franchisor, of our or its affiliates, or of any of the Franchisor's franchisees, without obtaining the prior written permission of that person's employer, or

(d) divert or attempt to divert any business or customer of the Business to any Competitive Business

Nothing in this Section prohibits you from having a direct or indirect interest as a disclosed or beneficial owner in a publicly held Competitive Business, as long as such securities represent less than 5% of the number of shares of that class of securities which are issued and outstanding

3 **Post-Term Competitive Restrictions** For a period of 2 years following the date that you cease to be one of our owners or an employee, you agree that you will not, directly or indirectly (e g , through a spouse, child or other immediate family member)

(a) have any direct or indirect interest as a disclosed or beneficial owner, or in any other capacity in a Competitive Business located or operating (a) as the site of the Restaurant (the "**Site**"), (b) within a 10 mile radius of the Site, or (b) within 10 miles of any other CHURROHOLIC® Restaurant in operation or under construction at the later of the effective date of the termination or expiration or the date on which a person restricted by this Agreement complies with this Agreement

(b) solicit or otherwise attempt to induce or influence any customer, employee or other business associate of Franchisor or any CHURROHOLIC® Restaurant franchisee to terminate or modify his, her or its business relationship with, or to compete against, Franchisor or such other CHURROHOLIC® Restaurant franchise

If you refuse to voluntarily comply with the foregoing obligations, the 2-year period will be extended by the period of noncompliance Nothing in this Section prohibits you from having a direct or indirect interest as a disclosed or beneficial owner in a publicly held Competitive Business, as long as such securities represent less than 5% of the number of shares of that class of securities which are issued and outstanding

4 **Severability and Substitution** To the extent that any portion of this Agreement is deemed unenforceable by virtue of its scope in terms of area, business activity prohibited, length of time or remedy, but may be made enforceable by reduction, adjustment or modification of any or all thereof, you and we agree that this Agreement will be enforced to the fullest extent permissible under the laws or public policies of the jurisdiction in which enforcement is sought, and such reduced or modified provision will be enforced to the fullest extent

5 **Acquisition** You agree that the confidentiality, competitive, and employment undertakings and restrictions survive any change in our ownership, any merger or consolidation, any sale of our assets, and any assignment or transfer of this Agreement

6 **Extension of Time Period** The time period during which you are to refrain from any of the activities listed in this Agreement will be automatically extended by any length of time during which you or any of your affiliates, successors or assigns are in breach of any provision of this Agreement This Agreement will continue through the duration of the extended time periods

7 **Suspension of Compensation** We will not be required to pay any other compensation to you during any period of time in which you are in breach of this Agreement Upon such breach, you forfeit payment of such amounts without limitation on any other remedies available to us for redress

8 **No Defense or Setoff** You must not assert, by way of defense or setoff, any alleged breach or damage caused by you if we must enforce this Agreement against you

9 **Injunctive Relief** You and we agree that the breach of this Agreement will result in irreparable harm to us and the Franchisor, and that no monetary award can fully compensate us if you violate it Thus, if you breach this Agreement, you agree that we will be entitled to an injunction restraining you from any further breach Such injunctive relief may be obtained without bond, but upon due notice, in addition to such other and further remedies or relief as may be available to us at equity or law

10 **Miscellaneous**

(a) **Complete Agreement** This Agreement contains the complete agreement between the parties concerning this subject matter This Agreement supersedes any prior or contemporaneous agreement, representation or understanding, oral or written, between them The continued relationship between the parties described in this Agreement constitutes full and sufficient consideration for the binding commitment of the parties to this Agreement

(b) **Waiver and Amendment** A waiver or amendment of this Agreement, or any provision of it, will be valid and effective only if it is in writing and signed by all parties or the party waiving such provision No waiver of any term of this Agreement will operate as a waiver of any other term of this Agreement or of that same term at any other time

(c) **Rights Cumulative** No right or remedy available to any party is exclusive of any other remedy Each and every remedy will be cumulative to any other remedy given under this Agreement, or otherwise legally existing upon the occurrence of a breach of this Agreement

(d) **Certain Definitions** As used throughout this Agreement, the following terms have the following meanings

(i) The term "**person**" means any corporation, professional corporation or association, partnership (limited or general), joint venture, trust, association or other business entity or enterprise or any natural person,

(ii) The term "**affiliate**" means, with respect to any person, any other person that directly, indirectly, or through one or more intermediaries, controls, is controlled by or is under common control with, such person, and includes any subsidiaries or other business entities that are beneficially owned by such person or its affiliates,

(iii) The term "**attorney's fees**" means any and all charges levied by an attorney for his services, including time charges, expenses and other reasonable fees including paralegal fees and legal assistant fees, and includes fees earned in settlement, at trial, on appeal or in bankruptcy proceedings

(e) **Governing Law** This Agreement is governed by the laws of the State in which you are located The prevailing party in any litigation involving this Agreement must be reimbursed its attorneys' fees from the non-prevailing party

(f) **Third-Party Beneficiary** The parties understand and acknowledge that the Franchisor is a third-party beneficiary of the terms of this Agreement and, at its option, may enforce the provisions of this Agreement with you Your obligations under this Agreement will continue for the benefit of our and the Franchisor's successors and assigns

(g) **Background Information** The background information is true and correct and is incorporated into this Agreement This Agreement will be interpreted with reference to the background information

Intending to be bound, the parties sign below

"US":	**"YOU"**
______________________	
Signature ______________	Signature ______________
Print Name ______________	Print Name ______________
Title ______________	Title ______________
Date ______________	Date ______________

EXHIBIT F TO THE DISCLOSURE DOCUMENT

MANUALS

TABLES OF CONTENTS

OPERATIONS MANUAL TABLE OF CONTENTS

EXHIBIT G TO THE DISCLOSURE DOCUMENT

PRINCIPAL OWNER'S GUARANTY

PRINCIPAL OWNER'S GUARANTY

This Guaranty must be signed by the principal owners (referred to as "you" for purposes of this Guaranty only) of ________________ (the "**Business Entity**") under the Franchise Agreement dated ________________ (the "**Agreement**") with **CHURROHOLIC FRANCHISING, INC** ("**us**," or "**our**" or "**we**")

1 **Scope of Guaranty** In consideration of and as an inducement to our signing and delivering the Agreement, each of you signing this Guaranty personally and unconditionally (a) guarantee to us and our successors and assigns that the Business Entity will punctually pay and perform each and every undertaking, agreement and covenant set forth in the Agreement, and (b) agree to be personally bound by, and personally liable for the breach of, each and every provision in the Agreement

2 **Waivers** Each of you waive (a) acceptance and notice of acceptance by us of your obligations under this Guaranty, (b) notice of demand for payment of any indebtedness or nonperformance of any obligations guaranteed by you, (c) protest and notice of default to any party with respect to the indebtedness or nonperformance of any obligations guaranteed by you, (d) any right you may have to require that an action be brought against the Business Entity or any other person as a condition of your liability, (e) all rights to payments and claims for reimbursement or subrogation which you may have against the Business Entity arising as a result of your execution of and performance under this Guaranty, and (f) all other notices and legal or equitable defenses to which you may be entitled in your capacity as guarantors

3 **Consents and Agreements** Each of you consent and agree that (a) your direct and immediate liability under this Guaranty are joint and several, (b) you must render any payment or performance required under the Agreement upon demand if the Business Entity fails or refuses punctually to do so, (c) your liability will not be contingent or conditioned upon our pursuit of any remedies against the Business Entity or any other person, (d) your liability will not be diminished, relieved or otherwise affected by any extension of time, credit or other indulgence which we may from time to time grant to Business Entity or to any other person, including, without limitation, the acceptance of any partial payment or performance or the compromise or release of any claims and no such indulgence will in any way modify or amend this Guaranty, and (e) this Guaranty will continue and is irrevocable during the term of the Agreement and, if required by the Agreement, after its termination or expiration

4 **Enforcement Costs** If we are required to enforce this Guaranty in any judicial or arbitration proceeding or any appeals, you must reimburse us for our enforcement costs Enforcement costs include reasonable accountants', attorneys', attorney's assistants', arbitrators' and expert witness fees, costs of investigation and proof of facts, court costs, arbitration filing fees, other litigation expenses and travel and living expenses, whether incurred prior to, in preparation for, or in contemplation of the filing of any written demand, claim, action, hearing or proceeding to enforce this Guaranty

5 **Effectiveness** Your obligations under this Guaranty are effective on the Agreement Date, regardless of the actual date of signature Terms not otherwise defined in this Guaranty have the meanings as defined in the Agreement This Guaranty is governed by state law where your Restaurant is located and we may enforce our rights regarding it in the courts of location where your Restaurant is located Each of you irrevocably submits to the jurisdiction and venue of such courts In addition, each of you consent to and agree to abide by the dispute resolution provisions of the Agreement, including the provisions regarding participation in mediation and binding arbitration

Each of you irrevocably agrees to participate in any arbitration proceedings and to be bound by the arbitration rulings otherwise described in the Agreement Each of you now sign and deliver this Guaranty effective as of the date of the Agreement regardless of the actual date of signature

GUARANTORS

____

____

DATE ________________________

____

EXHIBIT H TO THE DISCLOSURE DOCUMENT

FORM OF

PRINCIPAL OWNER'S STATEMENT

PRINCIPAL OWNER'S STATEMENT

This form must be completed by the Franchisee Entity ("**Franchisee**") if Franchisee has multiple owners or if Franchisee is owned by another/other business organization (such as a corporation, partnership or limited liability company) Franchisor is relying on the truth and accuracy of this form in awarding the Franchise Agreement to Franchisee

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

(a) General Partnership ☐
(b) Corporation ☐
(c) Limited Partnership ☐
(d) Limited Liability Company ☐
(e) Other ☐
Specify ______________________

2 **Business Entity** Franchisee was incorporated or formed on ________________, ______ *(date)*, under the laws of the State of ______________ Franchisee has not conducted business under any name other than this corporation, limited liability company or partnership name and ______________________ *(Entity Name)* The following is a list of all persons who have management rights and powers (e g , officers, managers, partners, etc) relative to Franchisee and their positions are listed below

Name of Person	Position(s) Held

3 **Owners** The following list includes the full name and mailing address of each person who is one my owners and fully describes the nature of each owner's interest Attach additional sheets if necessary

Owner's Name and Address	Description of Interest	% of Ownership

3 **Governing Documents** Attached are copies of the documents and contracts governing the ownership, management and other significant aspects of the business organization of Franchisee (e g , articles of incorporation or organization, partnership or shareholder agreements, etc)

This Owner's Statement is current and complete as of ______________, 20__

FRANCHISEE:

____

By ______________________________
Name ______________________________
Title ______________________________
Date ______________________________

OWNERS

Individuals	**Corporation, Limited Liability Company or Partnership**
______________________________ *(Signature)*	______________________________ *(Name of Entity)*
______________________________ *(Print Name)* Date ______________________________	By ______________________________ Name ______________________________ Title ______________________________ Date ______________________________
______________________________ *(Signature)*	______________________________ *(Name of Entity)*
______________________________ *(Print Name)* Date ______________________________	By ______________________________ Name ______________________________ Title ______________________________ Date ______________________________
______________________________ *(Signature)*	______________________________ *(Name of Entity)*
______________________________ *(Print Name)* Date ______________________________	By ______________________________ Name ______________________________ Title ______________________________ Date ______________________________
______________________________ *(Signature)*	______________________________ *(Name of Entity)*
______________________________ *(Print Name)* Date ______________________________	By ______________________________ Name ______________________________ Title ______________________________ Date ______________________________

EXHIBIT I TO THE DISCLOSURE DOCUMENT

FORM OF PROMISSORY NOTE

AND SECURITY AGREEMENT

PROMISSORY NOTE

U S $__________

Date _______________, 20___
(the "**Effective Date**")
Executed at _______________

FOR VALUE RECEIVED, ____________________, a ______________________, whose principal business address is ____________________________ (the "**Franchisee**" promises to pay to the order of ***[NAME OF FRANCHISOR or AFFILIATE]***, a California _____________ (the "**Lender**"), at its offices at _____________________________ (or at such other place or places as the Lender or the holder of this Note may designate in writing, from time to time), the principal sum of _____ ________________________________ **DOLLARS** (U S **$**__________) (the "**Loan**"), or such lesser sum outstanding at the time when payment is due under this Note, in lawful money of the United States of America, together with interest accruing thereon from the date of this Note at the rate and time later provided, on the balance from time to time remaining unpaid The Loan represented by this Note is subject to the terms and conditions of a CHURROHOLIC® Restaurant Franchise Agreement dated _____ _____________, 20___ (the "**Franchise Agreement**") between Franchisee and **CHURROHOLIC FRANCHISING, INC**, a California corporation (the "**Franchisor**") All capitalized terms not defined herein shall have the same meaning as contained in the Franchise Agreement

1 **Interest Rates and Payments** Interest will accrue on the unpaid principal balance at the rate of 10% per annum Monthly payments of principal plus accrued and unpaid interest in the amount of $______ will be due and payable on the 1st day of each month commencing _______, 20___ until fully paid All payments received by the Lender will be applied first to accrued and unpaid interest and then to the then outstanding principal balance

2 **Security** This Note is secured by that certain Security Agreement of even date herewith, executed by Franchisee in favor of Lender

3 **Definition of Event of Default** For purposes of this Note, an "**Event of Default**" is (a) any failure to pay any sums when due to the Lender or the Franchisor, or its affiliates, under this Note, the Franchise Agreement or any other agreements between the Franchisee and the Lender or the Franchisor or its affiliates and failure to cure such default within 10 days after receiving notice thereof, or (b) any breach of the provisions of the Franchise Agreement, or any other agreement between the Franchisee and Lender, Franchisor or their affiliates not cured within the applicable cure period

4 **Default Interest Rate** At any time or times during which an Event of Default then exists or upon the maturity of this Note, the interest rate under this Note will be equal to the lesser of (i) 18% per annum, or (ii) the maximum rate of interest permitted by applicable law (the "**Default Interest Rate**"), and shall be due and payable **ON DEMAND**

5 **Acceleration of Maturity** In the event of the continuation of any default in the payment of any interest or principal under this Note for a period of 10 days after notice is received from Lender or upon the occurrence of any other Event of Default, the Lender or the holder of this Note may elect to declare and may declare the entire unpaid principal amount outstanding under this Note, together with interest accrued thereon, immediately due and payable and/or may increase the interest rate under this Note up to the Default Interest Rate

6 **Waivers** The Franchisee, its successors and assigns, and all other endorsers and guarantors of this Note waive any defense by reason of any extension of time for reason of nonpayment The

Franchisee, its successors and assigns, and all endorsers and guarantors of this Note waive demand, presentment, notice of non-payment, dishonor and protest

7 **Attorneys' Fees** In case suit is brought for the collection of this Note, or if it is necessary to place the same in the hands of an attorney for collection, the Franchisee and all endorsers and guarantors of this Note agree to pay reasonable attorneys' fees for making such collection, including all fees and costs incident to any appellate, post-judgment, and bankruptcy proceedings that may result, whether the holder of this Note is obligated thereof or not

8 **Maximum Interest.** Despite any other provision of this Note, in no event will the amount of interest due or payable under this Note exceed the maximum contract rate of interest allowed by applicable law, as amended from time to time If any payment is made by the Franchisee or received by the Lender that exceeds the maximum contract rate of interest, such excess sum will be credited as a payment of principal, unless the Franchisee notifies the Lender that it elects to have the excess sum returned

9 **Payment of Indebtedness** All payments received from the Franchisee may be applied to outstanding principal or accrued interest as the Franchisor designates

10 **Negotiability** This Note is fully negotiable by the Lender

11 **Consideration** The Franchisee acknowledges and agrees that this Note has been signed and delivered to the Lender in exchange for valuable consideration The valuable consideration relates to amounts that are due and owing to the Lender, without any defense or setoff

12 **Venue** The parties agree that the jurisdiction in the county were the Franchisee is located is the proper venue for any and all legal proceedings arising out of this Note

13 **Governing Law** The provisions of this Note and the Franchise Agreement will be construed according to the laws of the State where the Franchisee is located

14 **Consent to Changes** All parties liable for the payment of this Note consent and agree that the granting to the Franchisee or any other party of any extension of time for the payment of any sums due under this Note, or for the performance of any covenant or stipulation in this Note or in any document securing the Loan or the release of the Franchisee or any other party, or the agreement of the Lender not to sue the Franchisee or any other party, or the discharge of the Franchisee or any other party, or the taking or releasing of other or additional security, will not in any way release or affect the liability of the Franchisee and/or of the endorsers or guarantors of this Note, all rights against such parties being expressly reserved

15 **Amendment** This Note may not be amended or modified, nor will any waiver of any provisions of this Note be effective, except by an instrument in writing signed by the holder of this Note The Franchisee has signed this Note as principal and not as surety or accommodation party

16 **Prepayment** This Note may be prepaid, in whole or in part, at any time without penalty provided that any partial payment shall be applied against the principal amount outstanding in inverse order of maturity and shall not postpone the due date of any subsequent payment unless the Lender shall otherwise agree in writing in its sole discretion

17 **Nonassumability** This Note is not assumable without the Lender's prior written consent Such assumption may be granted at the Lender's sole discretion and may be denied without regard to a showing of an impairment of the Lender's security or an evaluation of the creditworthiness of the proposed assuming party and regardless of whether the Franchisor consents to a transfer of the Franchise Agreement

18 **WAIVER OF JURY TRIAL** THE FRANCHISEE, BY SIGNING THIS NOTE, AND THE LENDER, BY ACCEPTANCE OF THIS NOTE, MUTUALLY AND WILLINGLY WAIVE THE RIGHT TO A TRIAL BY JURY OF ANY AND ALL CLAIMS MADE BETWEEN THEM WHETHER NOW EXISTING OR ARISING IN THE FUTURE, INCLUDING ANY AND ALL CLAIMS, DEFENSES, COUNTERCLAIMS, CROSSCLAIMS, THIRD PARTY CLAIMS AND INTERVENOR'S CLAIMS WHETHER ARISING FROM OR RELATED TO THE NEGOTIATION, SIGNING AND PERFORMANCE OF THE TRANSACTIONS TO WHICH THIS NOTE RELATES

"FRANCHISEE"

____

By ______________________________
Name ______________________________
Title ______________________________

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SECURITY AGREEMENT

THIS SECURITY AGREEMENT is made and entered into as of ________________, 20___ (this "**Agreement**"), by and among ***[NAME OF FRANCHISOR or AFFILIATE]***, a California _______ __________________ ("**Secured Party**"), and ___________________________, a ________________ __________________, whose principal business address is ___________________________________ ("**Debtor**")

A Secured Party is selling to Debtor the **CHURROHOLIC® Restaurant** located at _____ ___________________________________ (the "**Restaurant**") for a total purchase price of $______________ ______ ("**Purchase Price**")

B Secured Party is financing the purchase of the Restaurant, and Debtor is granting to Secured Party a security interest in the Collateral in order to secure Debtor's unconditional obligation to pay the Purchase Price to Secured Party

ACCORDINGLY, for good and valuable consideration, the parties hereby agree as follows

1 **Security Interest** In order to secure payment and performance in full of the obligation of Debtor to pay the Purchase Price, and all other obligations of Debtor to Secured Party, arising, under or in respect of the Franchise Agreement and this Agreement, including but not limited to any extensions, modifications, substitutions, increases or renewals thereof, (ii) payment of all amounts advanced or incurred by Secured Party to preserve, protect, defend, and enforce its rights under this Agreement, the Franchise Agreement, and with respect to the Collateral, and (iii) payment of all fees, costs and expenses incurred by Secured Party in connection therewith (the "**Obligations**"), Debtor hereby grants to Secured Party a continuing, valid, and unavoidable security interest in and lien on, all of Debtor's right, title, and interest in and to all of the following property, wherever located, whether now owned or hereafter acquired or arising (collectively, the "**Collateral**")

> All furniture, fixtures, equipment, accessories, inventory, licenses, permits, goods, materials, supplies, accounts, general intangibles, and all other assets, including, without limitation, the equipment and customer contracts, used in the operation of the franchised business known as "CHURROHOLIC® Restaurant" located at ____________________ ____________, all additions, attachments, accessories, accessions, parts, fittings, and special tools now and hereafter affixed thereto and/or used in connection therewith, and all replacements thereof, and all substitutions and exchanges therefor, and all proceeds, including all cash proceeds and all noncash proceeds, including without limitation, proceeds of any and all insurance covering any of the foregoing, and all products of any and all of the foregoing

2 **Representations, Warranties** Debtor represents and warrants to Secured Party as follows Debtor has good title to the Collateral, free from any right or claim of any security interest, lien, claim or encumbrance (collectively, a "**Lien**"), except for the permitted Liens listed in Exhibit A Debtor has full corporate power and authority to enter into, execute, and deliver this Agreement and to perform its obligations under this Agreement, and to incur and perform the Obligations, all of which have been duly authorized by all necessary corporate action This Agreement constitutes the valid and legally binding obligation of Debtor, enforceable against it in accordance with its terms Bankruptcy proceedings have not been commenced by or against Debtor under any federal bankruptcy law or other federal or state law

3 **Insurance** Debtor shall at all times bear the entire risk of any loss, theft, damage to, or destruction of, any of the Collateral from any cause whatsoever Debtor shall keep the Collateral insured

against loss or damage by fire and extended coverage perils, theft, burglary, and against all such other risks, casualties, and contingencies as Secured Party may reasonably require Such insurance shall be payable to Secured Party as loss payee under a standard loss payee clause

4 **Notices** Debtor shall provide Secured Party at least 30 days written notice prior to (i) any change in Debtor's name, (ii) any change in the jurisdiction of incorporation or organization of Debtor, or (iii) any of the Collateral being lost, stolen, missing, destroyed, materially damaged, or worn out

5 **Authorization to File Financing Statements** Debtor hereby irrevocably authorizes Secured Party at any time and from time to time to file in any filing office in any Uniform Commercial Code jurisdiction any initial financing statements, including a UCC financing statement substantially in the form attached as Exhibit B, and amendments thereto that (a) describe the Collateral, and/or (b) provide any other information required by Article 9 of the Uniform Commercial Code of the State in which the Franchisee is located or such other jurisdiction for the sufficiency or filing office acceptance of any financing statement or amendment Debtor agrees to furnish such information to Secured Party promptly upon Secured Party"s request

6 **Events of Default** Each of the following shall constitute an event of default ("**Event of Default**") under this Agreement

6 1 Failure by Debtor to make payment of any amount of the Obligations when due and to correct such failure within 10 days after receiving written notice thereof,

6 2 Failure by Debtor to duly perform or observe any other term, covenant or agreement contained in this Agreement, which failure shall have continued unremedied for a period of 10 days after written notice thereof from Secured Party to Debtor,

6 3 Any representation or warranty made by Debtor in this Agreement, any financial statement, or any statement or representation made in any other report or other document delivered in connection with this Agreement or the Franchise Agreement proves to have been incorrect or misleading in any material respect when made,

6 4 Debtor makes an assignment for the benefit of creditors, offers a composition or extension to creditors, or makes or sends notice of an intended bulk sale of any of the Collateral,

6 5 Debtor (i) files a petition in bankruptcy, (ii) is adjudicated insolvent or bankrupt, petitions or applies to any tribunal for any receiver of or any trustee for itself, any of the Collateral, or any substantial part of its property, (iii) commences any proceeding relating to itself under any reorganization, arrangement, readjustment of debt, dissolution or liquidation law or statute of any jurisdiction, whether now or hereafter in effect, or any such proceeding is commenced against Debtor, including but not limited to, the filing of an involuntary petition against Debtor under the United States Bankruptcy Code, (iv) by any act indicates its consent to, approval of, or acquiescence in, any such proceeding or the appointment of any receiver of or any trustee for Debtor or any substantial part of its property, or (v) admits in writing its inability to pay its debts as they become due,

6 6 Debtor, or any other affiliate of Debtor, shall challenge or contest, in any action, suit or proceeding, the validity or enforceability of this Agreement, or any related documents, the legality or the enforceability of any of the Obligations or the perfection or priority of any Lien granted to Secured Party, or

6 7 There shall be any material adverse change in the financial condition of Debtor or any other event shall occur that, as determined by Secured Party in good faith, materially impairs the ability of the Debtor to pay the Obligations

7 **Remedies Upon Event of Default** Upon the occurrence of any Event of Default, the Obligations under the Note shall become immediately due and payable upon declaration to that effect delivered by Secured Party to Debtor, provided, however, that upon the happening of any event specified in Section 6 5 herein, the Note will be immediately due and payable without declaration or other notice to Debtor Upon the occurrence of and during the continuance of an Event of Default under this Agreement, Secured Party, in addition to all other rights, options, and remedies granted to Secured Party under this Agreement, shall have all rights, options and remedies available to it under the Uniform Commercial Code, as adopted under the internal laws of the State in which the Franchisee is located from time to time, at law, or in equity Debtor agrees that a notice received by it at least 5 days before the time of any intended public sale, or the time after which any private sale or other disposition of the Collateral or any portion thereof is to be made, shall be deemed to be reasonable notice of such sale or other disposition

8 **Nature of Remedies** All rights and remedies granted Secured Party under this Agreement and under any other related documents, or otherwise available at law or in equity, shall be deemed concurrent and cumulative

9 **General**

9 1 **Amendment** This Agreement can be waived, amended, terminated or discharged, and the security interest and Liens of Secured Party can be released, only explicitly in a writing signed by Secured Party, and, in the case of amendment, in a writing signed by Debtor and Secured Party A waiver signed by Secured Party shall be effective only in the specific instance and for the specific purpose given

9 2 **Successors and Assigns** This Agreement shall be binding upon and inure to the benefit of Debtor and Secured Party and their respective successors and assigns (except that Debtor may not assign its obligations under or rights in this Agreement without the prior written consent of Secured Party, which consent may be withheld in Secured Party's sole discretion) and shall take effect when signed by Debtor and delivered to Secured Party, and Debtor waives notice of Secured Party's acceptance of this Agreement

9 3 **Venue** The parties agree that the jurisdiction in the county were the Franchisee is located is the proper venue for any and all legal proceedings arising out of this Agreement

9 4 **Governing Law** This Agreement shall be governed by and construed in accordance with the laws of the State in which the Franchisee is located, without regard to choice of law principles

9 5 **Counterparts** This Agreement may be executed in any number of counterparts, each of which shall constitute an original, but which counterparts together shall constitute but one and the same instrument Fax or other electronically-imaged signatures shall constitute binding and original signatures for all purposes

9 6 **Notice** Any notice or other communication required or permitted under this Agreement shall be in writing and personally delivered, mailed by registered or certified mail (return receipt requested and postage prepaid), sent by facsimile (with a confirming copy sent by regular mail), sent by e-mail, or sent by prepaid overnight courier service, and addressed to the relevant party at its address set

forth on the sıgnature page of thıs Agreement, or at such other address as such party may, by wrıtten notıce, desıgnate as ıts address for purposes of notıce under thıs Agreement If maıled, notıce shall be deemed to be gıven 3 days after beıng sent, and ıf sent by personal delıvery, telecopıer, prepaıd courıer, or e-maıl, notıce shall be deemed to be gıven when delıvered

9 7 Waıver of Jury Trıal **DEBTOR HEREBY UNCONDITIONALLY WAIVES ITS RIGHTS TO A JURY TRIAL OF ANY CLAIM OR CAUSE OF ACTION BASED UPON OR ARISING OUT OF, DIRECTLY OR INDIRECTLY, THIS AGREEMENT, OR ANY RELATED DOCUMENTS**

IN WITNESS WHEREOF, the partıes hereto have executed thıs Agreement as of the date and year first above wrıtten

"SECURED PARTY"	**"DEBTOR"**
[NAME OF FRANCHISOR or AFFILIATE]	______________________
a Calıfornıa ______________	a______________________
By ______________________	By ______________________
Name ______________________	Name ______________________
Its ______________________	Its ______________________
Address for notıces	Address for notıces
[address of Franchısor or Affilıate]	______________________
	______________________

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Exhibit A

PERMITTED LIENS

Exhibit B

UCC-1 FINANCING STATEMENT

(Attached)

[redacted]

UCC FINANCING STATEMENT

FOLLOW INSTRUCTIONS

A NAME & PHONE OF CONTACT AT FILER (optional)

B E MAIL CONTACT AT FILER (optional)

C SEND ACKNOWLEDGMENT TO (Name and Address)

THE ABOVE SPACE IS FOR FILING OFFICE USE ONLY

1 DEBTOR S NAME Provide only one Debtor name (1a or 1b) (use exact full name do not omit modify or abbreviate any part of the Debtor's name) if any part of the Individual Deb name will not fit in line 1b leave all of item 1 blank check here ☐ and provide the Individual Debtor information in item 10 of the Financing Statement Addendum (Form UCC1Ad)

1a ORGANIZATION S NAME			
OR 1b INDIVIDUAL S SURNAME	FIRST PERSONAL NAME	ADDITIONAL NAME(S)/INITIAL(S)	SUFFIX

1c MAILING ADDRESS	CITY	STATE	POSTAL CODE	COUNTRY

2 DEBTOR'S NAME Provide only one Debtor name (2a or 2b) (use exact full name do not omit modify or abbreviate any part of the Debtor's name) if any part of the Individual Deb name will not fit in line 2b leave all of item 2 blank check here ☐ and provide the Individual Debtor information in item 10 of the Financing Statement Addendum (Form UCC1Ad)

2a ORGANIZATION S NAME			
OR 2b INDIVIDUAL S SURNAME	FIRST PERSONAL NAME	ADDITIONAL NAME(S)/INITIAL(S)	SUFFIX

2c MAILING ADDRESS	CITY	STATE	POSTAL CODE	COUNTRY

3 SECURED PARTY'S NAME (or NAME of ASSIGNEE of ASSIGNOR SECURED PARTY) Provide only one Secured Party name (3a or 3b)

3a ORGANIZATION S NAME			
OR 3b INDIVIDUAL S SURNAME	FIRST PERSONAL NAME	ADDITIONAL NAME(S)/INITIAL(S)	SUFFIX

3c MAILING ADDRESS	CITY	STATE	POSTAL CODE	COUNTRY

4 COLLATERAL This financing statement covers the following collateral

5 Check only if applicable and check only one box Collateral is ☐ held in a Trust (see UCC1Ad item 17 and Instructions) ☐ being administered by a Decedent s Personal Represente

6a Check only if applicable and check only one box

☐ Public-Finance Transaction ☐ Manufactured-Home Transaction ☐ A Debtor is a Transmitting Utility

6b Check only if applicable and check only one box

☐ Agricultural Lien ☐ Non UCC Filing

7 ALTERNATIVE DESIGNATION (if applicable) ☐ Lessee/Lessor ☐ Consignee/Consignor ☐ Seller/Buyer ☐ Bailee/Bailor ☐ Licensee/Licensor

EXHIBIT J TO THE DISCLOSURE DOCUMENT

FORM OF BILL OF SALE

BILL OF SALE

THIS BILL OF SALE, effective as of __________, 20__ (the "**Effective Date**"), is made and entered into by and between *[NAME OF FRANCHISOR or AFFILIATE]*, a California ________________, with its principal business address at ______________________________ (the "**Seller**"), and ______________________________, with its principal business address at ____________________________ ("**Buyer**") (the Seller and the Buyer may be referred to individually as a "**party**," and collectively as the "**parties**") for the purchase of all of the Seller's assets physically located at the CHURROHOLIC® Restaurant located at ______________________________ (collectively, the "**Assets**"), which include the Assets set forth on Exhibit "A."

For good and valuable consideration, the receipt and sufficiency of which are now acknowledged, the Seller transfers to the Buyer all of its right, title and interest in and to the Assets.

The Seller covenants and warrants to the Buyer that: (a) they are the lawful owners of, and have good and marketable title to the Assets, (b) the Assets are free and clear from all obligations, liabilities, liens and encumbrances, (c) the Sellers have the right to sell the Assets, and (d) the Sellers will defend the Buyer and its successors and assigns from any claims that may arise with regard to the Assets.

IN WITNESS WHEREOF, this Bill of Sale is made and entered into on the date indicated above.

SELLER	**BUYER**
[NAME OF FRANCHISOR or AFFILIATE]	____________________
a ____________________	a ____________________
By ____________________	By ____________________
Name ____________________	Name ____________________
Title ____________________	Title ____________________
Date ____________________	Date ____________________

STATE OF ____________________)
COUNTY OF ____________________)

The foregoing instrument was acknowledged before me this ____________, 20__, by ____________, ____________________ of , *[NAME OF FRANCHISOR or AFFILIATE]*, a California____________________, on behalf of the entity. He/she is personally known to me or has produced ______________________________ as identification.

____
Signature of Notary
Printed Name of Notary ________________
Notary Public, State of ________________
Serial Number of Notary ____________

STATE OF _____________________________)
COUNTY OF __________________________)

The foregoing instrument was acknowledged before me this ______________, 2017, by ________ _______, ____________ of _____________________, a _________________, on behalf of the entity He/she is personally known to me or has produced ____ as identification

____
Signature of Notary
Printed Name of Notary ____________________
Notary Public, State of _____________________
Serial Number of Notary ____________________

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EXHIBIT "A"

ASSETS

All furniture, fixtures, equipment, accessories, inventory, licenses, permits, goods, materials, supplies, accounts, general intangibles, and all other assets, including, without limitation, the equipment and customer contracts, used in the operation of the franchised business known as "CHURROHOLIC® Restaurant" located at ______________________________ in existence as of the Effective Date, all additions, attachments, accessories, accessions, parts, fittings, and special tools now and hereafter affixed thereto and/or used in connection therewith, and all replacements thereof, and all substitutions and exchanges therefor, and all proceeds, including all cash proceeds and all noncash proceeds, including without limitation, proceeds of any and all insurance covering any of the foregoing, and all products of any and all of the foregoing

The Assets include, but are not limited to, the following

EXHIBIT K TO THE DISCLOSURE DOCUMENT

FORM OF SUBLEASE

SUBLEASE

THIS SUBLEASE (the "**Sublease**") is made this ____ day of ____________, 20___ (the "**Commencement Date**"), by and between ***[FRANCHISOR OR AFFILIATE]***, a California __________ ____________, whose address is ____ (the "**Sublessor**") and ____, a ____________________ , whose address is ______________________________________(the "**Sublessee**")

BACKGROUND INFORMATION

The Sublessor is the lessee under a certain Lease dated ___________________, 20__ (the "**Prime Lease**"), relating to the premises commonly known as ____________________________ ____ (the "**Premises**"), with __________________________as the lessor (the "**Landlord**"), a copy of which is attached hereto as Exhibit A The Premises is operated as a **CHURROHOLIC® Restaurant** (the "**Restaurant**") The Sublessee has entered into a Franchise Agreement with Churroholic Franchising, Inc (the "**Franchisor**") dated ___________________________, 20___ to operate the Restaurant The Sublessor desires to sublease the Premises to Sublessee and Sublessee desires to sublease the Premises from the Sublessor under and pursuant to the terms and conditions of the Prime Lease and under and pursuant to the additional terms and conditions of this Sublease

OPERATIVE TERMS

The Sublessee and the Sublessor agree as follows

1 **Consideration** In consideration of good and valuable and covenants forth in this Sublease, Sublessor demises and leases to Sublessee, and Sublessee leases from Sublessor, the Premises, more particularly described in the Prime Lease as of the Commencement Date

2 **Prime Lease** The Sublessee will fully perform and comply with all of the terms and conditions of the Prime Lease including timely payment of all rent, charges and other amounts due the Landlord to the same extent as if it were the tenant with a direct lease with the Landlord Sublessee will fully indemnify, defend and hold Sublessor harmless from and against all damages, claims, liabilities and obligations arising out of (a) Sublessee's failure to timely comply with all obligations under the Prime Lease, and/or (b) any claim or liability arising on or about the Premises while in its possession

3 **Use and Operation** The Sublessee will only use the Premises for the purposes of operating the Restaurant under the Franchise Agreement with the Franchisor

4 **Assignment and Subletting** The Sublessee will not transfer or assign this Sublease or sublease all or any part of the Premises with Sublessor's prior written consent Sublessee may, at any time, assign this Sublease or sublease the Premises to any person or entity which directly or indirectly controls, is controlled by or is under common control with the Sublessee or to any franchisee of the Franchisor Upon any such assignment to a franchisee, the Sublessee named in this Sublease is released of any further obligations under this Sublease Sublessee must provide prior notice to Sublessor of any assignment of subletting to a franchisee

5 **Events of Default by Sublessee** Each of the following constitutes an event of default

(a) Sublessee failure to pay any installment of rent or any other sum required to be paid in this Sublease and/or the Prime Lease 10 days after written notice from Sublessor to Sublessee that such sum is past due

(b) A petition in bankruptcy is filed by or against Sublessee and is not discharged within 30 days

(c) Sublessee makes a general assignment for the benefit of creditors

(d) Sublessee's failure to keep, observe or perform any of the other terms, conditions or covenants set forth in this Sublease and/or the Prime Lease if the failure continues for 30 days after written notice from Sublessor of such failure, or such longer period as is necessary to cure such failure using diligent efforts

(e) Sublessee breaches, violates, or defaults under the Franchise Agreement between it and the Franchisor or the Franchise Agreement terminates or ends for any reason

5 **Remedies of the Sublessor** Sublessor may, without any additional notice to Sublessee, do any one or more of the following if an event of default occurs

(i) terminate this Sublease and immediately regain possession of the Premises through any lawful means If Sublessor terminates this Sublease, Sublessor may hold Sublessee liable for rents accrued under this Sublease and/or the Prime Lease through the date this Sublease is terminated

(ii) terminate Sublessee's right to possession of the Premises, without terminating this Sublease, and retake possession of the Premises for the account of Sublessee and hold Sublessee liable for (in addition to rents accrued through the date Sublessee's right to possession is terminated) the difference between the rents set forth in this Sublease and/or the Prime Lease and any rents which Sublessor can obtain from the reletting of the Premises using diligent efforts

(iii) cure the event of default, and recover from Sublessee upon demand all reasonable costs and expenses incurred by Sublessor to cure the event of default

The waiver of Sublessor of any breach of any term, condition or covenant of this Sublease is not a waiver of any subsequent breach of the same or any other term, condition or covenant herein contained

6 **Access by Sublessor** Sublessor and Sublessor's agents have the right to enter the Premises (i) to examine the Premises, (ii) in connection with the exercise of any right or remedies provided by law or this Sublease, (iii) in an emergency situation where such situation makes entry necessary for Sublessor, (iv) to show the Premises to prospective purchasers or mortgagees, and (v) to make such installations, repairs, alterations, improvements or additions and to do such maintenance as required by Sublessor under this Sublease Any such entry will be at reasonable times agreed upon by Sublessee and after notice, oral or written (except in emergencies where circumstances make entry

without notice necessary) to Sublessee Any such entry will be done in a manner to minimize any interference with the operation of Sublessee's business in the Premises

7 **Notice to Sublessor** Any notice by Sublessee to Sublessor under or in connection with this Sublease MUST be in writing and served by (i) certified or registered mail return receipt requested, postage prepaid, or (ii) nationally recognized overnight courier, addressed to Sublessor at the following address or at such other address as Sublessor may designate by written notice to Sublessee

____

____

____

____

____

8 **Notice to Sublessee** Any notice by Sublessor to Sublessee under or in connection with this Sublease must be in writing and served by (i) certified or registered mail return receipt requested, postage prepaid, or (ii) nationally recognized overnight courier, addressed to Sublessee at the following address or at such other address as Sublessee may designate by written notice to Sublessor

____

____

____

____

____

9 **Notice Given** Notice will be deemed to be given and received on the earlier of (i) 3 business days after being deposited in the U S mail, (ii) the next delivery day after being delivered for next day delivery to a nationally recognized overnight carrier, or (iii) the date upon which the return receipt is signed or delivery is refused or the notice is designated non-deliverable by the postal authorities

10 **Quiet Enjoyment** Sublessor warrants and covenants that Sublessee will peacefully and quietly have, hold and enjoy the Premises for the entire term of this Sublease, subject however to the terms, covenants and conditions of this Sublease

11 **Entire Agreement** Except as may be provided in the Franchise Agreement, this Sublease contains the entire agreement between Sublessor, Sublessee and Franchisor concerning the subleasing of the Premises, and no other representations or agreements, either oral or written, survive the execution of this Sublease No subsequent alteration, amendment, change, or addition to this Sublease is binding upon the Sublessor or the Sublessee unless in writing and signed by the party against whom enforcement is sought All Exhibits referenced as being attached hereto are by such reference made a part hereof

12 **Consent** Whenever Sublessor's consent is required or requested under this Sublease, Sublessor agrees not to unreasonably withhold, delay or condition such consent

13 **No Partnership or Joint Venture** It is the intent of the parties that their relationship under this Sublease be that of Sublessor and Sublessee only

14 **Captions and Section Numbers** The captions and section numbers appearing in this Sublease are inserted as a matter of convenience and shall not be viewed as defining or limiting the scope or intent of any Section of this Sublease

15 **Attorneys Fees** In any litigation arising out of this Sublease, the prevailing party will be entitled to recover reasonable attorneys' fees and costs including but not limited to fees and costs at the trial and appellate level as well as in the course of any arbitration, administrative or bankruptcy proceedings

16 **Partial Invalidity** If any term, covenant, or condition of this Sublease or the application thereof to any person or circumstances shall, to any extent, be declared invalid or unenforceable, the remainder of this Sublease, or the application of such term, covenant or condition to persons or circumstances other than those as to which it is held invalid or unenforceable, shall not be affected thereby and each term, covenant or condition of this Sublease shall be valid and be enforced to the fullest extent permitted by law

17 **Time is of the Essence** Time is of the Essence of this Sublease

18 **Waiver of Jury Trial** The undersigned parties waive trial by jury in any proceeding based upon or arising out of Sublessee's use of the Premises, this Sublease or the Sublessor-Sublessee relationship created by this Sublease

19 **Successors** This Sublease binds the parties and their several respective successors, and assigns

20 **Guaranty** The undersigned Guarantor(s) fully and unconditionally personally guarantee all of Sublessee's obligations under this Sublease and agree to be jointly, severally and personally bound by the terms of this Sublease to pay all amounts due and perform all Sublessee's obligations if for any reason it does not do so, immediately upon Sublessor's demand Notices to Sublessee is deemed notice to Guarantors

IN WITNESS WHEREOF, Sublessor and Sublessee have signed this Sublease on the dates indicated below

WITNESSES	**SUBLESSOR**
	______________________
	a ______________________
______________________	By ______________________
Name ______________________	Name ______________________
As to Sublessor	Title ______________________
	Date ______________________
______________________	
Name ______________________	
As to Sublessor	
	(CORPORATE SEAL)

SUBLESSEE

____
a ____________________________

____
Name __________________________
As to Sublessee

____
Name __________________________
As to Sublessee

By ___________________________
Name _________________________
Title _________________________
Date _________________________

(CORPORATE SEAL)

GUARANTOR(S)

____
Name __________________________
As to Guarantor

____
Name __________________________
As to Guarantor

____
Name _________________________
Date _________________________

____
Name __________________________
As to Guarantor

____
Name __________________________
As to Guarantor

____
Name _________________________
Date _________________________

WITNESSES	**FRANCHISEE**
	______________________________
	a ____________________________
______________________________	By ___________________________
Print Name ____________________	Name _________________________
	Title __________________________
______________________________	
Print Name ____________________	
	AFFILIATE
	______________________________
	a ____________________________
______________________________	By ___________________________
Print Name ____________________	Name _________________________
	Title __________________________
______________________________	
Print Name ____________________	
	FRANCHISOR·
	~~HICCUPS~~CHURROHOLIC FRANCHISING ~~CORP~~, INC
	a California corporation
______________________________	By ___________________________
Print Name ____________________	Name _________________________
	Title __________________________
______________________________	
Print Name ____________________	
	LANDLORD
	______________________________
	a ____________________________
______________________________	By ___________________________
Print Name ____________________	Name _________________________
	Title __________________________
______________________________	
Print Name ____________________	

EXHIBIT L TO THE DISCLOSURE DOCUMENT

LIST OF STATE AGENCIES/AGENTS

FOR SERVICE OF PROCESS

This list includes the names, addresses and telephone numbers of state agencies having responsibility for franchising disclosure/registration laws, and serving as our agents for service of process (to the extent that we are registered in their states)

STATE	STATE REGULATORY AGENCY	AGENT TO RECEIVE PROCESS IN STATE, IF DIFFERENT THAN THE STATE REGULATORY AGENCY
California	Department of Business Oversight *Los Angeles* 320 West 4th Street Suite 750 Los Angeles, CA 90013-2344 (213) 576-7500 *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	
Hawaii	Department of Commerce and Consumer Affairs Business Registration Division Commissioner of Securities P O Box 40 Honolulu, Hawaii 96810 (808) 586-2744	Commissioner of Securities Department of Commerce and Consumer Affairs Business Registration Division Securities Compliance Branch 335 Merchant Street, Room 203 Honolulu, Hawaii 96813
Illinois	Franchise Bureau Office of Attorney General 500 South Second Street Springfield, IL 62706 (217) 782-4465	
Indiana	Franchise Section Indiana Securities Division Secretary of State Room E-111 302 W Washington Street Indianapolis, Indiana 46204 (317) 232-6681	
Maryland	Office of the Attorney General Securities Division 200 St Paul Place Baltimore, MD 21202-2020 (410) 576-7042	Maryland Securities Commissioner 200 St Paul Place Baltimore, Maryland 21202-2020

STATE	STATE REGULATORY AGENCY	AGENT TO RECEIVE PROCESS IN STATE, IF DIFFERENT THAN THE STATE REGULATORY AGENCY
Michigan	Michigan Attorney General's Office Consumer Protection Division Attn Franchise Section 525 W Ottawa Street Williams Building, 1st Floor Lansing, MI 48933 (517) 373-7117	
Minnesota	Minnesota Department of Commerce Market Assurance Division 85 7th Place East, Suite 280 St Paul, Minnesota 55101-2198 (651) 539-1600	Commissioner of Commerce Minnesota Department of Commerce Market Assurance Division 85 7th Place East, Suite 280 St Paul, Minnesota 55101 (651) 539-1600
New York	Office of the New York State Attorney General Investor Protection Bureau of Franchise 120 Broadway, 23rd Floor New York, NY 10271-0332 (212) 416-8236	Attention Uniform Commercial Code New York Department of State One Commerce Plaza 99 Washington Avenue, 6th Floor Albany, NY 12231-0001 (518) 473-2492
North Dakota	North Dakota Securities Department State Capitol 5th Floor, Dept 414 600 East Boulevard Avenue Bismarck, ND 58505-0510 (701) 328-4712	Securities Commissioner North Dakota Securities Department State Capitol 5th Floor, Dept 414 600 East Boulevard Avenue Bismarck, ND 58505-0510 (701) 328-4712
Oregon	Department of Consumer & Business Services Division of Finance and Corporate Securities Labor and Industries Building Salem, Oregon 97310 (503) 378-4140	
Rhode Island	Department of Business Regulation Securities Division 1511 Pontiac Avenue John O Pastore Complex–69-1 Cranston, RI 02920-4407 (401) 462-9527	
South Dakota	Division of Securities 124 S Euclid, Suite 104 Pierre, SD 57501 (605) 773-4823	
Virginia	State Corporation Commission	Clerk

STATE	STATE REGULATORY AGENCY	AGENT TO RECEIVE PROCESS IN STATE, IF DIFFERENT THAN THE STATE REGULATORY AGENCY
	1300 East Main Street 9th Floor Richmond, VA 23219 (804) 371-9051	State Corporation Commission 1300 East Main Street, 1st Floor Richmond, VA 23219
Washington	Department of Financial Institutions Securities Division P O Box 9033 Olympia, WA 98507-9033 (360) 902-8760	Department of Financial Institutions 150 Israel Road SW Tumwater, WA 98501
Wisconsin	Division of Securities Department of Financial Institutions Post Office Box 1768 Madison, Wisconsin 53701 (608) 266-2801	

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EXHIBIT M TO THE DISCLOSURE DOCUMENT

FORM OF

STATE ADDENDA AND RIDERS

ADDENDUM
TO FRANCHISE DISCLOSURE DOCUMENT FOR
CHURROHOLIC FRANCHISING, INC
STATE OF CALIFORNIA

The following paragraphs are added to the Disclosure Document

OUR WEBSITE 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

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

The following is added to Item 5

The California Department of Business Oversight requires us to defer payment of the initial franchise fee and other initial payments owed by franchisees to the franchisor until the franchisor has completed its initial obligations under the Franchise Agreement

The following paragraphs are added at the end of Item 17 of the Disclosure Document pursuant to regulations promulgated under the California Franchise Investment Law

California Law Regarding Termination and Nonrenewal California Business and Professions Code Sections 20000 through 20043 provide rights to franchisees concerning termination or nonrenewal of a franchise If the Franchise Agreement contains a provision that is inconsistent with the law, the law will control

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

Post-Termination Noncompetition Covenants The Franchise Agreement contains a covenant not to compete which extends beyond the termination of the respective agreement These provisions may not be enforceable under California law

You must comply with the requirements set forth in the Alcoholic Beverage Control Act and the California Code of Regulations for the sale of alcoholic beverages

RIDER TO
CHURROHOLIC FRANCHISING, INC
FRANCHISE AGREEMENT
<u>FOR USE IN CALIFORNIA</u>

This Rider is entered into this ______________, 20___ (the "**Effective Date**"), between **CHURROHOLIC FRANCHISING, INC**, a California corporation, with its principal business address at 12602 Hoover Street, Garden Grove, California 92841 ("**we**," "**us**" or "**our**"), and ________________ ________________________________, a ________________ whose principal business address is ___ ____ (referred to in this Rider as "**you**" or "**your**") and amends the Franchise Agreement between the parties dated as of the Effective Date (the "**Agreement**")

1 **<u>Precedence and Defined Terms</u>** This Rider is incorporated into the Agreement and supersedes any inconsistent or conflicting provisions of the Agreement Terms not otherwise defined in this Rider have the meanings as defined in the Agreement

2 **<u>Initial Fees</u>** The following is added to Section 6 of the Agreement

> The California Department of Business Oversight requires us to defer payment of the initial franchise fees, and other initial payments owed by franchisees to the franchisor until the franchisor has completed its initial obligations under the Franchise Agreement

Intending to be bound, the parties sign and deliver this Rider in 2 counterparts effective on the Agreement Date, regardless of the actual date of signature

"US" **CHURROHOLIC FRANCHISING, INC**	**"YOU"**
By ______________________	______________________
Name ______________________	Name ______________________
Title ______________________	Date ______________________
Date ______________________	

EXHIBIT N TO THE DISCLOSURE DOCUMENT

FORM OF

GENERAL RELEASE

RELEASE

THIS RELEASE is given by ____ and their predecessors, agents, affiliates, legal representatives, successors, assigns, heirs, beneficiaries, executors and administrators (collectively, "**you**," "**your**" or "**Franchise Owner**"), to **CHURROHOLIC FRANCHISING, INC** , and all of its predecessors, agents, affiliates, employees, legal representatives, successors, assigns, heirs, beneficiaries, executors and administrators (collectively, the "**we**," "**us**" or "**our**")

Effective on the date of this Release, you forever releases and discharges us from any and all claims, causes of action, suits, debts, agreements, promises, demands, liabilities, contractual rights and/or obligations, of whatever nature or kind, in law or in equity, which you now have or ever had against us, including without limitation, anything arising out of that certain CHURROHOLIC® Franchise Agreement dated ________________, the franchise relationships between you and us, and any other relationships between you and u, except our obligations under the Franchise Agreement dated effective _________________ and the franchise relationship between you and us after _______ ______________________________ This Release is effective for (a) any and all claims and obligations, including those of which you are not now aware, and (b) all claims you have from anything which has happened up to now

You are bound by this Release You freely and voluntarily give this Release to us for good and valuable consideration and we acknowledge its receipt and sufficiency

You represent and warrant to us that you have not assigned or transferred to any other person any claim or right you had or now have relating to or against us

In this Release, each pronoun includes the singular and plural as the context may require

This Release is governed by state law where your Restaurant is located

This Release is effective ______________________________ notwithstanding the actual date of signatures

IN WITNESS WHEREOF, the undersigned execute this Release

By ___________________________________

Name _________________________________

Title __________________________________

Date __________________________________

____

Date __________________________________

STATE OF ______________________)
COUNTY OF ____________________)

The foregoing instrument was acknowledged before me this _________ day of _____________ __________________, by ____________________________ as ____________________________ ______________________________of _______________________, a ____________________, on behalf of the ______________________ He/she is personally known to me or has produced ______________ as identification

____

Signature of Notary
Printed Name of Notary__________________

Notary Public, State of ___________________

Serial Number of Notary___________________

STATE OF ______________________)
COUNTY OF _____________________)

The foregoing instrument was acknowledged before me this ___________, 20__ by __________ ______________________________________ who is personally known to me or has produced ________________ as identification

____

Signature of Notary
Printed Name of Notary___________________

Notary Public, State of ___________________

Serial Number of Notary___________________

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EXHIBIT O TO THE DISCLOSURE DOCUMENT

FORM OF

FRANCHISE COMPLIANCE CERTIFICATE

FRANCHISE COMPLIANCE CERTIFICATION

The purpose of this Certification is to determine whether any statements or promises were made to you that we have not authorized and that may be untrue, inaccurate or misleading **Do not sign or date this Certification the same day as the Receipt for the Franchise Disclosure Document, you should sign and date this Certification the same day you sign the Franchise Agreement** Please review each of the following questions and statements carefully and provide honest and complete responses to each

1 Have you received and personally reviewed our Franchise Agreement, and each Addendum (if any) and related agreement (i e , personal guaranty) attached to them?

Yes ______ No ______

2 Did you receive the Franchise Agreement, and each related agreement, containing all material terms, at least 7 days before signing any binding agreement (other than any deposit agreement) with us or an affiliate?*

Yes ______ No ______

* This does not include changes to any agreement mutually agreed upon

3 Do you understand all of the information contained in the Franchise Agreement, and each Addendum (if any) and related agreement provided to you?

Yes ______ No ______

If No, what parts of the Franchise Agreement, Addendum (if any) and/or related agreements do you not understand? (Attach additional pages, if necessary)

____

____

____

4 Have you received and personally reviewed our Franchise Disclosure Document ("**FDD**") that was provided to you?

Yes ______ No ______

5 Did you receive the FDD at least 14 days before signing the Franchise Agreement, this document or any related agreement, or before paying any funds to us or an affiliate?

Yes ______ No ______

6 Did you sign (or e-sign) a receipt for the FDD indicating the date you received it?

Yes ______ No ______

7 Do you understand all of the information contained in the FDD and any state-specific Addendum to the FDD?

Yes ______ No ______

If No, what parts of the FDD and/or Addendum do you not understand? (Attach additional pages, if necessary)

____

____

____

8 Have you discussed the benefits and risks of purchasing a CHURROHOLIC® Restaurant franchise with an attorney, accountant or other professional advisor?

Yes ______ No ______

If No, do you wish to have more time to do so?

Yes ______ No ______

9 Do you understand that the success or failure of your CHURROHOLIC® Restaurant franchise will depend in large part upon your skills and abilities, competition from other businesses, and other economic and business factors?

Yes ______ No ______

10 Has any employee or other person speaking on our behalf made any statement or promise concerning the actual or possible revenues or profits of a CHURROHOLIC® Restaurant franchise that is not contained in the FDD or that is contrary to, or different from, the information contained in the FDD?

Yes ______ No ______

11 Has any employee or other person speaking on our behalf made any statement or promise regarding the amount of money you may earn in operating a CHURROHOLIC® Restaurant franchise that is not contained in the FDD or that is contrary to, or different from, the information contained in the FDD?

Yes ______ No ______

12 Has any employee or other person speaking on our behalf made any statement or promise concerning the likelihood of success that you should or might expect to achieve from operating a CHURROHOLIC® Restaurant franchise that is not contained in the FDD or that is contrary to, or different from, the information contained in the FDD?

Yes ______ No ______

13 Has any employee or other person speaking on our behalf made any statement, promise or agreement concerning the advertising, marketing, training, support service or assistance that we will furnish to you that is contrary to, or different from, the information contained in the FDD?

Yes ______ No ______

14 If you have answered "Yes" to any one of questions 11-13, please provide a full explanation of each "Yes" answer in the following blank lines (Attach additional pages, if necessary, and refer to them below.)

____

____

____

15 Do you understand that the Franchise Agreement, Addendum (if any) and related agreements contain the entire agreement between you and us concerning the CHURROHOLIC® Restaurant franchise, meaning that any prior oral or written statements not set out in the Franchise Agreement, Addendum (if any) or related agreements will not be binding?

Yes ______ No ______

Nothing in this document or any related agreement is intended to disclaim the representations we made in the FDD that we furnished to you.

16 Do you understand that, except as provided in the FDD, nothing stated or promised by us that is not specifically set forth in the Franchise Agreement, Addendum (if any) and related agreements can be relied upon?

Yes ______ No ______

17 You signed the Franchise Agreement, and Addendum (if any) and related agreements on ______________, 20__, and acknowledge that no agreement or addendum is effective until signed and dated by us

YOU UNDERSTAND THAT YOUR RESPONSES TO THESE QUESTIONS ARE IMPORTANT TO US AND THAT WE WILL RELY ON THEM BY SIGNING THIS COMPLIANCE CERTIFICATION, YOU ARE REPRESENTING THAT YOU HAVE CONSIDERED EACH QUESTION CAREFULLY AND RESPONDED TRUTHFULLY TO THE ABOVE QUESTIONS

The individuals signing below for the **"Franchisee Applicant"** constitute all of the executive officers, partners, shareholders, investors and/or principals of the Franchisee Applicant, or constitute the duly authorized representatives or agents of the foregoing

FRANCHISEE APPLICANT

____
Signature
____
Printed Name
______________________________, 20___
Date

____
Signature
____
Printed Name
______________________________, 20___
Date

____
Signature
____
Printed Name
______________________________, 20___
Date

____
Signature
____
Printed Name
______________________________, 20___

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EXHIBIT P TO THE DISCLOSURE DOCUMENT

LIST OF CURRENT FRANCHISEES

AS OF

DECEMBER 31, ~~2017~~2018

~~NONE~~

LIST OF FRANCHISEES AS OF DECEMBER 31, 2018

STATE	FRANCHISEE NAME	RESTAURANT STREET ADDRESS	RESTAURANT CITY	RESTAURANT ZIP CODE	RESTAURANT TELEPHONE NO.
ARIZONA	++Andy Doan Lu#2**	5626 W. Bell Road	Glendale	AZ 85308	TBD
ARIZONA	++Bich Van Thi Nguyen **(Opened 3/25/19)**	9340 W. Northern Avenue	Peoria	AZ 85305	623.321.5188
ARIZONA	++Andy Doan Lu #1** **(Opened 5/22/19)**	2000 E. Rio Salado Parkway	Tempe	AZ 85281	480.542.8808
CALIFORNIA	++Thon Gia Phan	4138 Maint Street, #N4	Baldwin Park	CA 91706	TBD
CALIFORNIA	++Mohammad S. Elhomsy	TBD	Bonita	CA	TBD
CALIFORNIA	++Key 1 LLC **(Opened 7/17/19)**	8309 On the Mall, Suite 223	Buena Park	CA 90620	
CALIFORNIA	++Mark Ninh Nguyes	1349 S. Harbor Boulevard	Fullerton	CA 92832	TBD
CALIFORNIA	++Kevin & Kelly Le **(Opened 3/18/19)**	11382 Beach Blvd, Suite A	Stanton	CA 90680	714.758.5188
FLORIDA	++Hoau Dang & Thuy Hoang Dang	10640 Pines Boulevard, #F104	Pembrooke Pines	FL 33026	TBD
TEXAS	++DFW Hiccups LLC**	TBD	Arlington	TX	TBD
TEXAS	++DFW Hiccups LLC**	TBD	Arlington	TX	TBD
TEXAS	++VVMA Group LLC**	TBD	Cypress	TX	TBD
TEXAS	++DFW Hiccups LLC** **(Opened 3/12/19)**	9144 Prestmont Palce #220	Frisco	TX 75035	972.292.9616
TEXAS	++Erica Le **(Opened 724/19))**	17527 State Highway #249	Houston	TX 77064	346-260-5175
TEXAS	++Phoebe Vo	11700B Wertheimer Road	Houston	TX 77077	TBD

STATE	FRANCHISEE NAME	RESTAURANT STREET ADDRESS	RESTAURANT CITY	RESTAURANT ZIP CODE	RESTAURANT TELEPHONE NO.
TEXAS	++Jimmy Nguyen & Amy Nguyen NO. 2** **(Opened 6/20/19)**	2031 Central Palza #103	New Braunfels	TX 78130	830.632.5566
TEXAS	++Super Foodstar Corporation	4835 Fairmont Parkway	Pasadena	TX 77505	TBD
TEXAS	++DFW Hiccups LLC**	744 S. Central Expressway, Suite 230	Richardson	TX 75080	TBD
TEXAS	Jimmy Nguyen & Amy Nguyen NO. 1 **	4138 S. New Braunfels Avenue, #10	San Antonio	TX 78223	210.817.6206
TEXAS	++Jimmy Nguyen & Amy Nguyen NO. 3 **	TBD	San Antonio	TX	TBD
TEXAS	++Jimmy Nguyen & Amy Nguyen NO.4 **	TBD	San Antonio	TX	TBD

**Signed Development Agreement
9++Not Yet Opened as of 12/31/18

EXHIBIT Q TO THE DISCLOSURE DOCUMENT

LIST OF FORMER FRANCHISEES

LIST OF FRANCHISEES WHO HAVE LEFT THE SYSTEM

The following is a list of the names, city, state and current business telephone number (or if unknown the home telephone number) of every franchisee who had an outlet terminated, canceled, not renewed or otherwise voluntarily or involuntarily ceased to do business under the franchise agreement during the year ended December 31, 2018, or who has not communicated with the franchisor within the last 10 weeks of August 29, 2019.

NONE

EXHIBIT R TO THE DISCLOSURE DOCUMENT

RECEIPTS

One Receipt must be signed, dated and delivered to us The other Receipt should be retained 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 Churroholic Franchising, Inc offers you a franchise, we must provide this disclosure document to you 14 calendar days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale New York requires that we give you this disclosure document at the earlier of the first personal meeting or 10 business days before the execution of any binding franchise or other agreement, or payment of any consideration that relates to the franchise relationship Michigan requires that we give you this disclosure document at least 10 business days before the execution of any binding franchise or other agreement, or payment of any consideration, whichever occurs first

If Churroholic Franchising, Inc 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 (as listed in Exhibit "I" to this disclosure document)

The franchisor is Churroholic Franchising, Inc , located at 12602 Hoover Street, Garden Grove, California 92841 Its telephone number is 949 466 9252

We authorize the respective state agencies identified on Exhibit "I" to receive service of process for us if we are registered in the particular state

Issuance Date ~~January 10, 2018, as amended June 15 2018~~ August 29, 2019.

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

Name	Principal Business Address	Telephone Number
☐ Sky Minh Hoang	12602 Hoover Street, Garden Grove, California 92841	877 588 3209
☐ Thanh Nguyen	12602 Hoover Street, Garden Grove, California 92841	949 667 6405

I received a disclosure document dated ~~January 10, 2018, as amended June 15, 2018~~ August 29, 2019 (the state effective dates are listed on the pages preceding the table of contents) The disclosure document included the following Exhibits

Exhibit A	Financial Statements
Exhibit B	Franchise Agreement
Exhibit C	Conditional Assignment of Telephone Numbers and Listings
Exhibit D	Collateral Assignment and Assumption of Lease and Lease Rider
Exhibit E	Confidentiality, Noncompetition & Nonsolicitation Agreement
Exhibit F	Manuals Table of Contents
Exhibit G	Principal Owner's Guaranty
Exhibit H	Principal Owner's Statement
Exhibit I	Form of Promissory Note and Security Agreement
Exhibit J	Form of Bill of Sale
Exhibit K	Form of Sublease
Exhibit L	List of State Agencies/Agents for Service of Process
Exhibit M	State Addenda and Riders
Exhibit N	Form of General Release
Exhibit O	Franchise Compliance Certificate
Exhibit P	List of Current Franchisees
Exhibit Q	List of Former Franchisees
Exhibit R	Receipts

Dated ____________________

____
Individually and as an Officer

____
Printed Name

of______________________________
(a______________Corporation)
(a______________Partnership)
(a______________Limited Liability Company)

[Keep this page 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 Churroholic Franchising, Inc offers you a franchise, we must provide this disclosure document to you 14 calendar days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale New York requires that we give you this disclosure document at the earlier of the first personal meeting or 10 business days before the execution of any binding franchise or other agreement, or payment of any consideration that relates to the franchise relationship Michigan requires that we give you this disclosure document at least 10 business days before the execution of any binding franchise or other agreement, or payment of any consideration, whichever occurs first

If Churroholic Franchising, Inc 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 (as listed in Exhibit "I" to this disclosure document)

The franchisor is Churroholic Franchising, Inc , located at 12602 Hoover Street, Garden Grove, California 92841 Its telephone number is 949 466 9252

We authorize the respective state agencies identified on Exhibit "I" to receive service of process for us if we are registered in the particular state

Issuance Date ~~January 10, 2018, as amended June 15 2018~~ August 29, 2019.

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Dated____________________

____
Individually and as an Officer

____
Printed Name

of______________________________
(a________________Corporation)
(a________________Partnership)
(a________________Limited Liability Company)

[Sign and return this page]