FRANCHISE DISCLOSURE DOCUMENT

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A "Country Waffles Breakfast & Lunch" franchisee will operate a brick-and-mortar restaurant business offering, among other things, a specialty menu of all day breakfast and lunch items for on-premises and carry-out consumption.

The total investment necessary to begin operation of a Country Waffles Breakfast & Lunch franchised business ranges from $311,800 to $808,600. This includes $35,000 that must be paid to the franchisor or an affiliate. If you wish to sign a development agreement, then the total investment needed to begin operation would be multiplied by the number of units that you agree to open, after applying a discounted initial franchise fee. (For example, for a 3-unit development agreement, the total investment would be $935,400 to $2,425,800, which includes $105,000 that must be paid to the franchisor or an affiliate.)

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

You may wish to receive your disclosure document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact Joe T. Ghazale at Country Waffles, Inc., 4011 Jewett Avenue, Bakersfield, California 93301 (phone: 559.819.0099).

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

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

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

The issuance date of this Franchise Disclosure Document is April 19, 2023.

How to Use This Franchise Disclosure Document

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

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

What You Need to Know About Franchising Generally

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

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

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

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

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

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

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

Some States Require Registration

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

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

Special Risks to Consider About This Franchise

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

Out-of-State Dispute Resolution. The franchise agreement requires you to resolve disputes with us by mediation and litigation in California. Out of state mediation and litigation may force you to accept a less favorable settlement for disputes. It may also cost more to mediate and litigate in California than in your own state.

Financial Condition. Franchisor is undercapitalized (see Item 21) and may not be able to meet preopening obligations to all franchisees.

Unregistered Trademark. We do not have a federal registration for one of our principal marks. Therefore, such trademark does not have as many legal benefits and rights as a federally registered trademark. If our right to use the trademark is challenged, you may have to change to an alternative trademark, which may increase your expenses

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

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Exhibits

A	Franchise Agreement with Exhibits	H	State-Specific Addenda
B	Development Agreement with Exhibits	I	List of Current and Former Franchisees
C	List of State Administrators	J	List of Affiliate-Owned Restaurants
D	List of Agents for Service of Process	K	State Effective Dates
E	Form of General Release	L	Item 23 Receipts
F	Table of Contents to Brand Manual		
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Item 1 The Franchisor and any Parents, Predecessors, and Affiliates

The Franchisor

The Franchisor is Country Waffles, Inc. In this disclosure document ("**FDD**"), we refer to "Country Waffles, Inc." as "**we**", "**us**", "**our**" or "**CWI**". We were formed as a California corporation on September 29, 1987. We conduct business under our corporate name and the name and mark "Country Waffles Breakfast & Lunch." We do not do business under any other name. Our principal place of business is 4011 Jewett Avenue, Bakersfield, California 93301. Our agents for service of process are listed on Exhibit D to this Franchise Disclosure Document.

We do not engage in business activities other than franchising "County Waffles Breakfast & Lunch" businesses. We began offering "County Waffles Breakfast & Lunch" franchises in November 1992. We have never offered franchises in any other lines of business.

Our Parents, Predecessors, and Affiliates

We have no parents, predecessors, or affiliates which are required to be disclosed in this Item.

The Franchise Offered

We offer franchises for the establishment and operation of "Country Waffles Breakfast & Lunch" brick-and-mortar restaurant businesses which feature, among other things, a specialty menu of all day breakfast and lunch items ("**Restaurants**"). Restaurants specialize in the sale of signature waffles, pancakes, omelets and other egg dishes, sandwiches, burgers, salads, and other products that we may periodically specify for on-premises and carry-out consumption, which may include proprietary items, as well as non-proprietary Items to customers on-site (collectively, the "**Products**"). The services associated with offering Products to consumers are referred to as the "**Services**".

Restaurants are characterized by our system (the "**System**"). Some of the features of our System may include our distinctive products; signage; distinctive interior and exterior design and accessories; operational procedures; standards and specifications; quality of products and services offered; recipes and preparation techniques; management and inventory control procedures; software; training and assistance; business format, layouts and floor plans, methods, equipment lists and layouts, menus, the Proprietary Marks (defined below), as well as advertising and promotional programs. We may periodically change parts of the System.

You must operate your Restaurant in accordance with our standards and procedures, as set out in our confidential brand standards manual (the "**Brand Manual**"). We will lend you, or make available electronically, a copy of the Brand Manual for the duration of the Franchise Agreement. In addition, we will grant you the right to use our marks, including the mark "Country Waffles Breakfast & Lunch" and any other trade names and marks that we designate in writing for use with the System (the "**Proprietary Marks**").

Restaurants will be operated from an indoor structure that need not be free-standing, in a target range of approximately 2,500 square feet to 3,500 square feet in size and are decorated to meet our specifications (including the use of our trade dress, trademark, and design).

We offer to enter into franchise agreements ("**Franchise Agreements**") with qualified entities and persons that wish to establish and operate Restaurants. (In this disclosure document, "**you**" means the person or legal entity with whom we enter into an agreement. The term "you" also refers to the direct and indirect owners of a corporation, partnership, limited liability company, or limited liability partnership that signs a Franchise Agreement as the "franchisee.") We award franchises in our discretion, and in order to be qualified to become our franchisee, we will consider many factors that include, among other things, a prospective franchisee's financial resources, educational and work background, personality fit, and ability to work with our team. A copy of the form Franchise Agreement is attached to this FDD as Exhibit A.

We may also offer area development agreements ("**Development Agreements**") to qualified parties ("**Developers**"). Our current form of Development Agreement is attached to this Disclosure Document as Exhibit B. If you sign a Development Agreement, we will grant you the right, and you will accept the responsibility, to establish an agreed-upon number of Restaurants within an agreed-upon designated area (the "**Development Area**"), under an agreed-upon timetable (the "**Development Schedule**"). Each Restaurant will be constructed and operated under a separate Franchise Agreement. The Franchise Agreement for the first Restaurant developed under the Development Agreement will be in the form attached to the Development Agreement. The Franchise Agreement for each additional Restaurant developed will be in the form of the Franchise Agreement that we generally offer to new franchisees at that time.

Applicable Regulations

You must comply with all local, state, and federal laws that apply to your Restaurant operations, including for example health, sanitation, no-smoking, EEOC, OSHA, discrimination, employment, and sexual harassment laws. The Americans with Disability Act of 1990 requires readily accessible accommodation for disabled persons and therefore may affect your building construction, site elements, entrance ramps, doors, seating, restrooms, drinking facilities, etc. For example, you must obtain real estate permits (e.g., zoning), real estate licenses, and operational licenses. There are also regulations that pertain to handling consumer data, sanitation, healthcare, labeling, caloric information, nutrition disclosures, allergen disclosures, food preparation, food handling, and food service. You will be required to comply with all applicable federal, state, and local laws and regulations in connection with the operation of your Restaurant. You must also follow the Payment Card Industry Data Security Standards and comply with applicable privacy laws relating to customer credit card transactions. Finally, due to the global coronavirus pandemic, some government agencies have ordered (or suggested) that foodservice businesses temporarily close and only offer drive-through, carryout and delivery service, or have otherwise severely limited clientele from patronizing restaurant businesses. We recommend that you examine and consider the impact of these and all applicable laws, regulations, and standards before entering into any agreement with us. The laws in your state or municipality may be more or less stringent, and there may be specific laws or regulations in your state or municipality regarding the operation of a Restaurant. You should consult with your attorney concerning those and other local laws and ordinances that may affect your Franchised Business' operation.

Competition

You can expect to compete in your market with locally-owned businesses, as well as with national and regional chains, that offer breakfast and lunch items, and other items that may compete with the products offered at a Restaurant. The market for these items is well-established and very highly competitive. These businesses vigorously compete on the basis of factors such as price, service, location, and product quality. These businesses are often affected by other factors as

well, such as changes in consumer taste, economic conditions, seasonal population fluctuation, and travel patterns.

Item 2 Business Experience

The following individuals have management responsibility for the sale or operation of the franchise offered by this disclosure document. Unless otherwise noted, their present place of business is in Bakersfield, California.

Chief Executive Officer and Director Joe T. Ghazale

Mr. Ghazale has been our Chief Executive Officer and Director since January 2018. Since March 1990, he has also served as Chief Executive Officer of A. Ghazale Brothers, Inc. in Long Beach, California. Mr. Ghazale was the President of Fresh Ready to Go in Bakersfield, California from October 2017 to March 2021, the Managing Member of Katie's Kitchen, LLC in Bakersfield, California from January 2014 to March 2021, and the Vice President of Bueno Bonito Barrato, Inc.in Bakersfield, California from April 2012 to March 2021.

Item 3 Litigation

There is no litigation which is required to be disclosed in this Item.

Item 4 Bankruptcy

There is no bankruptcy is required to be disclosed in this Item.

Item 5 Initial Fees

Initial Franchise Fee

The initial franchise fee is $35,000 and will be due when you sign the Franchise Agreement. The initial franchise fee will be fully earned when paid, must be paid in one lump-sum amount, and is non-refundable. The initial franchise fee is uniform for new franchisees.

We offer a 25% discount from the initial franchise fee for qualified U.S. military veterans and active duty personnel as well as First Responders (firefighters, law enforcement officers, and emergency medical technicians). To qualify, you must be an active duty member of the U.S. armed forces or an honorably discharged veteran of the U.S. armed forces (and provide us with a copy of your certificate or a form DD-214) or a First Responder (and provide us with proof of your status that is reasonably acceptable to us). (For a franchisee that is an entity, a person who owns 51% or more of the entity must be the qualified veteran or active duty service member.) If the qualified veteran, active duty service member, or First Responder transfers her or his interest in the franchise in the first two years, then the amount of the discount will have to be repaid upon the transfer.

Development Fee

If you sign the Development Agreement, you must pay us a development fee in an amount equal to the total of $35,000 for the first Restaurant that you will develop plus $17,500 for each additional Restaurant that you agree to open according to the Development Schedule. The amount of the development fee will vary based on the number of Restaurants you choose to develop under the Development Agreement. The development fee must be paid in lump sum and is non-refundable. We did not enter into any Development Agreements during 2022.

If you are in compliance with your obligations under the Development Agreement, then when you enter into the Franchise Agreement with us for the first Restaurant, we will credit to you the sum of $35,000 as full payment of the initial franchise fee due under the Franchise Agreement for that Restaurant. If you continue to be in compliance with your obligations under this Agreement, then at the time you enter into the Franchise Agreement for each additional Restaurant that you develop according to the Development Schedule, we will credit to you the sum of $17,500, which we will apply to the initial franchise fee payable under each Franchise Agreement for that Restaurant (the credits that we apply will not exceed the total development fee that you have actually paid to us).

If you sign a Development Agreement, then we will discount the initial franchise fee due for the franchises that you must open under the Development Agreement, as follows:

Initial Franchise Fee	Explanation
$35,000	Applies to the Franchise Agreement for the 1st franchise that is required under the Development Agreement
$30,000	Applies to the 2nd through 5th franchises that are required under the Development Agreement
$25,000	Applies to the 6th and all additional franchises that are required under the Development Agreement

Item 6 Other Fees

Type of Fee	Amount	Due Date	Remarks
Royalty (Note 1)	5% of Adjusted Gross Sales (Note 2)	Payable monthly (Note 3)	
Marketing Contribution (Note 1)	2% of Adjusted Gross Sales	Same as royalties.	Currently, allocated as 0.5% to the Marketing Fund and 1.5% to be spent by you on local marketing and promotion. We have the right to change this allocation upon notice.

Type of Fee	Amount	Due Date	Remarks
Supplier/Vendor or Supplies Approval (Note 4)	Cost of inspection of supplier's facilities and/or test of supplier's samples, plus our reasonable related costs and expenses	Upon demand	Only due if you propose a new supplier or vendors (or particular suppliers) that we have not previously approved
Product and Equipment Purchases	Will vary	Upon delivery or as agreed	We charge you for products and equipment you purchase from or through us.
Inspection or Audit (Note 5)	Cost of inspection or audit plus our reasonable related costs and expenses	Upon demand	Only due if inspection or audit discloses that information provided to us was materially inaccurate or misleading
Interest (Note 6)	Interest is 1.5% per month on missed, overdue, or insufficient payments.	Upon demand.	Only due if you do not make proper payment on time. Interest begins to accrue when payment was initially due. If a maximum interest rate applies under your state's law, then interest will not exceed that maximum rate.
Renewal Fee	$10,000	Due upon execution of Renewal Agreement	Payable upon renewal of the Franchise Agreement on the terms described in that agreement. The renewal fee is due instead of a new initial franchise fee.
Transfer Fee	Greater of $17,500 or 50% of our then-current initial franchise fee, plus any applicable broker fees	At the time of transfer	Only due if you propose a transfer. For a transfer upon disability or death of the franchisee's principal, we will not charge a transfer fee (but ask instead to be reimbursed for our reasonable out-of-pocket expenses incurred in reviewing, approving, and documenting the transaction).

Type of Fee	Amount	Due Date	Remarks
Securities Offering Fee	$10,000 (or our reasonable costs and expenses, if more)	Upon demand	Only due if you or an affiliate engage in a securities offering. You also must indemnify us (see below).
Relocation Fee	$2,500 plus our reasonable costs and expenses	At the time of relocation	Only due if you propose to relocate your franchise.
Additional Training	$1,000 per person	Upon demand	Only due if you ask to send more than the required number of people to be trained or if someone that we trained leaves your employ, in which case you must enroll her/his replacement in our training program. If so, we may require you to pay this discounted per person training fee.
Cost of Enforcement or Defense (Note 7)	Will vary under circumstances	Upon demand	See Note 6
Insurance	Actual costs	Upon demand	Only due if you fail to purchase the required business insurance, and we exercise our right to buy insurance for you (we are not obligated to do so).
Indemnification	All costs and expenses, including attorneys' fees	Upon demand	Only due if the indemnification clause is invoked. You will defend suits at your own cost and hold us harmless against suits involving damages resulting from your operation of the Restaurant, including related securities offerings.
Technology Fee (Note 1)	Currently no Technology Fee	Payable in the same manner and time as Royalty	We have the right to charge a Technology Fee in the future upon notice to Franchisee.

Type of Fee	Amount	Due Date	Remarks
Additional Tech Vendor Fees	Variable	As incurred.	Fees by tech vendors that provide products and/or services to you beyond those covered by the Technology Fee must be paid directly to those vendors in the ordinary course of business.

Notes to Item 6 table:

1 **Fees.** The fees listed in the Item 6 tables are payable only to us or our affiliates (except for the Additional Tech Vendor Fees, which may be paid to a vendor). All fees due to us or our affiliates (such as royalty fees, advertising contributions, amounts due for your purchases from us or our affiliates, and other amounts due under the Franchise Agreement) must be paid through electronic funds transfer (using the ACH network). We may debit this account to collect these amounts. You must keep a sufficient balance in the account from which the ACH deductions are made to pay all of the fees due under the Franchise Agreement. We have the right to change payment method requirements. All of the fees payable to us or our affiliates are uniformly imposed and collected, however, we may waive collection of some or all of these fees in certain circumstances. None of the fees payable to us or our affiliates are refundable.

We will have the right to make inflation adjustments to the fixed-dollar amounts under the Franchise Agreement (but not the Initial Franchise Fee) if there are changes in the Index from the year in which you signed the Franchise Agreement. "**Index**" means the Consumer Price Index published by the U.S. Bureau of Labor Statistics ("**BLS**") (1982-84=100; all items; CPI-U; all urban consumers). If the BLS no longer publishes the Index, then we can designate a reasonable alternative measure of inflation.

2 **Adjusted Gross Sales.** As used in the Franchise Agreement, "Adjusted Gross Sales" means all revenue from the sale of all items and services at your Restaurant, as well as all other income of every kind that relates to, derives from, or originates from your Restaurant. Adjusted Gross Sales include barter proceeds as well as the proceeds of any business interruption insurance policies. Adjusted Gross Sales include payments in cash or credit and regardless of theft, or of collection in the case of credit. Adjusted Gross Sales excludes sales taxes and other taxes that you collect from your customers and remit to the appropriate taxing authorities.

3 **Accounting Periods.** Payments and sales reports are due monthly, with each month starting on the first day of the calendar month at 12:00:01 am (local time) and ending at 11:59:59 pm on the last day of the calendar month. Payments are due in our account on the 15th day of each Period (although we may initiate ACH debits earlier so that the funds reach our account on time).

Certain reports (for example, P&L's) will be due on a Period-by-Period basis. For this purpose, "**Period**" means a regular calendar month (but we reserve the right to switch to a four or five-week "retail calendar" for the purpose of organizing books and records (typically, with 13 Periods in a year)).

4 **Supplier/Vendor, Supplies Approval.** If you wish to sell or use any product that we have not already approved, or buy products from a vendor that we have not already approved, you must follow the procedure under the Franchise Agreement. Among other things, that includes submitting samples of the proposed item as well as other information, for inspection and testing. You or the proposed vendor will pay the reasonable cost of the inspection and evaluation and the actual cost of any testing.

5 **Inspection or Audit.** If we conduct an inspection or audit of your records and find that any payments due to us have been understated or underpaid, then you must immediately pay us, upon demand, the understated or underpaid amount plus interest from the date any amount was due until paid. If an inspection or audit shows that the information provided to us was materially inaccurate or misleading (or it cannot be determined whether it was materially inaccurate or misleading because you did not maintain and preserve the required records), then you also must reimburse our costs and expenses, including accounting and attorneys' fees connected with the inspection or audit. An understatement of Adjusted Gross Sales or underpayment of 2% or more in any report is deemed to be materially inaccurate and misleading.

6 **Interest**. The highest interest rate allowed by law in California for late payments is 10% annually.

7 **Cost of Enforcement or Defense.** If a claim for amounts you owe to us is asserted in any legal proceeding before a court of competent jurisdiction, or if we or you must enforce the Franchise Agreement or a related agreement (including non-compete agreements) in a judicial or arbitration proceeding, we will be entitled to reimbursement of our costs, including reasonable accounting and attorneys' fees, resulting from this proceeding. You also will be responsible for our costs of enforcement if your personnel do not comply with their confidentiality or non-competition obligations. This fee will only become due if: (i) you are in default under the Franchise Agreement, in which case you must reimburse us for our expenses (including reasonable attorneys' fees) in enforcing or terminating the agreement; (ii) if we successfully defend claims from you regarding the Franchise Agreement; or (iii) if we incur costs in your defense except where a court with competent jurisdiction determines the claim or expense was caused solely by our gross negligence or willful misconduct.

Item 7 Estimated Initial Investment

YOUR ESTIMATED INITIAL INVESTMENT

Table A:
YOUR ESTIMATED INITIAL INVESTMENT
(A SINGLE RESTAURANT UNDER A FRANCHISE AGREEMENT)

Type of Expenditure	Amount		Method of Payment	When Due	To Whom Payment Is Made
	From	To			
Initial Franchise Fee (Note 1)	$35,000	$35,000	Lump Sum	Upon signing Franchise Agreement	Us

Table A: YOUR ESTIMATED INITIAL INVESTMENT (A SINGLE RESTAURANT UNDER A FRANCHISE AGREEMENT)					
Type of Expenditure	**Amount**		**Method of Payment**	**When Due**	**To Whom Payment Is Made**
	From	**To**			
Lease (Note 2)	$16,800	$45,600	As incurred	Before opening, as incurred	Landlord
Utility Deposit (Note 3)	$2,000	$6,000	As incurred	Before opening, as incurred	Utility Providers
Architect Fees (Note 4)	$10,000	$15,000	As incurred	Before opening, as incurred	Third Parties
Construction Costs (Note 4)	$84,000	$228,000	As incurred	Before opening, as incurred	Third Parties
Expenses for Initial Training (Note 5)	$3,000	$5,000	As incurred	Before opening, as incurred	Third Parties
Business Licenses and Permits (Note 6)	$3,000	$5,000	As incurred	Before opening, as incurred	Licensing Authorities
Business Insurance (Note 7)	$1,000	$3,000	As incurred	Before opening, as incurred	Insurance Providers
Initial Inventory (Note 8)	$25,000	$35,000	As incurred	Before opening, as incurred	Approved Suppliers
Computer Hardware & Software (Note 9)	$2,000	$10,000	As incurred	Before opening, as incurred	Approved Vendor
Furniture, Fixtures, & Eqpt (Note 10)	$70,000	$290,000	As incurred	Before opening, as incurred	Approved Suppliers
Signage (Note 10)	$3,000	$10,000	As incurred	Before opening, as incurred	Approved Suppliers

Table A: YOUR ESTIMATED INITIAL INVESTMENT (A SINGLE RESTAURANT UNDER A FRANCHISE AGREEMENT)					
Type of Expenditure	**Amount**		**Method of Payment**	**When Due**	**To Whom Payment Is Made**
	From	**To**			
Grand Opening Marketing Program (Note 11)	$25,000	$25,000	As incurred	Before and during opening	Various
Professional Fees (Note 12)	$2,000	$6,000	As incurred	Before opening, as incurred	Accountants, Attorneys, and Consultants
Additional Funds (3 months) (Note 13)	$30,000	$90,000	As incurred	After opening	Various
Total	**$311,800**	**$808,600**			

Table B: YOUR ESTIMATED INITIAL INVESTMENT (FOR 3 RESTAURANTS UNDER A DEVELOPMENT AGREEMENT)					
Type of Expenditure	**Amount**		**Method of Payment**	**When Due**	**To Whom Payment Is Made**
	From	**To**			
Development Fee (Note 1)	$70,000	$70,000	Lump Sum	When you sign the Fran. Agmt	Us
Additional Initial Franchise Fees due (when Fran. Agmts are signed) (Note 1)	$35,000	$35,000	Lump Sum	$0 when you sign 1st Fran. Agmt; $20,000 when you sign 2nd and 3rd Fran. Agmts	Us
Lease (Note 2)	$50,400	$136,800	As incurred	Before opening, as incurred	Landlord

Table B: YOUR ESTIMATED INITIAL INVESTMENT (FOR 3 RESTAURANTS UNDER A DEVELOPMENT AGREEMENT)					
Type of Expenditure	**Amount**		**Method of Payment**	**When Due**	**To Whom Payment Is Made**
	From	**To**			
Utility Deposit (Note 3)	$6,000	$18,000	As incurred	Before opening, as incurred	Utility Providers
Architect Fees (Note 4)	$30,000	$45,000	As incurred	Before opening, as incurred	Third Parties
Construction Costs (Note 4)	$252,000	$684,000	As incurred	Before opening, as incurred	Third Parties
Expenses for Initial Training (Note 5)	$9,000	$15,000	As incurred	Before opening, as incurred	Third Parties
Business Licenses and Permits (Note 6)	$9,000	$15,000	As incurred	Before opening, as incurred	Licensing Authorities
Business Insurance (Note 7)	$3,000	$9,000	As incurred	Before opening, as incurred	Insurance Providers
Initial Inventory (Note 8)	$75,000	$105,000	As incurred	Before opening, as incurred	Approved Suppliers
Computer Hardware & Software (Note 9)	$6,000	$30,000	As incurred	Before opening, as incurred	Approved Vendor
Furniture, Fixtures, & Eqpt (Note 10)	$210,000	$870,000	As incurred	Before opening, as incurred	Approved Suppliers
Signage (Note 10)	$9,000	$30,000	As incurred	Before opening, as incurred	Approved Suppliers
Grand Opening Marketing Program (Note 11)	$75,000	$75,000	As incurred	Before and during opening	Various
Professional Fees (Note 12)	$6,000	$18,000	As incurred	Before opening, as incurred	Accountants, Attorneys, and Consultants

Table B: YOUR ESTIMATED INITIAL INVESTMENT (FOR 3 RESTAURANTS UNDER A DEVELOPMENT AGREEMENT)					
Type of Expenditure	**Amount**		**Method of Payment**	**When Due**	**To Whom Payment Is Made**
	From	**To**			
Additional Funds (3 months) (Note 13)	$90,000	$270,000	As incurred	After opening	Various
Totals	**$935,400**	**$2,425,800**			

Notes to Tables:

We do not offer direct or indirect financing for any part of the initial investment. We do not guarantee your note, lease or obligations. None of the fees payable to us or our affiliates is refundable. We cannot estimate whether and to what extent fees payable to third parties may be refunded.

Table A provides the estimates applicable if you were to open one franchised Restaurant under a Franchise Agreement.

Table B provides the estimates applicable if you were to sign a Development Agreement to open three Restaurants. Except for the payment of the development fee and the discounted initial franchise fees, the figures in Table B are simply three-times the figures in Table A

1 **Initial Franchise Fee.** The franchise fee is $35,000, as described in Item 5, and is used to defray our costs for providing training, promotional assistance and materials, site selection guidance, and other services.

If you sign a Development Agreement, then you will pay the development fee due under that agreement (as described in Item 5). If you are in compliance with your obligations under the Development Agreement and all of your Franchise Agreements, then we will apply a portion of the development fee as a credit toward the initial franchise fees (Table B shows that we would credit $35,000 toward the initial franchise fee due under the first Franchise Agreement, $17,500 toward the discounted initial franchise fee due under the second Franchise Agreement, and $17,500 toward the discounted initial franchise fee due under third Franchise Agreement).

2 **Lease.** You must purchase or lease a space at which to operate your Restaurant. The estimate is for lease payments covering four months' rent (rent for the first three months of operation and one month's security deposit). The estimate assumes a Restaurant that is 2,500 square feet to 3,800 square feet in size, with rent at $18 to $36 per square foot per year, and no obligation to pay rent during the build-out period (before you actually open for business).

Restaurant locations include downtown store fronts, suburban centers, entertainment centers, and shopping centers.

Rent varies considerably from market to market, and from location to location within each market. Rents may vary beyond the range that we have provided based on factors such as competition and market conditions in your area, the type and nature of improvements needed to the premises, the size of the Restaurant, the terms of the lease, and the desirability of the location. If you cannot negotiate a pre-opening rent abatement your costs will be higher. If you choose to buy (instead of leasing) the real estate for your Restaurant, you will incur additional costs that we cannot estimate.

3 **Utility Deposit.** You may be required to pay deposits before the installation or beginning of service of telephone, gas, electric and other utilities. This estimate excludes utility tap fees which are typically covered by the landlord.

4 **Architect's Fees and Construction Costs.** The cost of construction depends upon the size and condition of the premises, the nature and extent of leasehold improvements required, including awning, general construction, permits, architectural fees and legal fees. The location, age and size of the Restaurant and the extent of landlord participation in the build-out significantly affect that cost. The lower figure assumes that the cost of leasehold improvements is borne by the landlord through a tenant improvement allowance for leasehold improvements. The range of figures in the table above includes the cost of reasonable renovation or leasehold improvements. The extent of the required leasehold improvements may vary widely depending upon the existing facility and modifications required to accommodate a restaurant operation. The architect's fee is not included in the total estimate for construction and is shown as a separate entry in the above chart. The estimate is based space in the range of 2,500 to 3,800 square feet at a build-out cost of approximately $33 to $60 per square foot. If you incur higher build-out costs, then your total expenditure will be higher as well.

5 **Initial Training Expenses.** You are responsible for making arrangements and paying the expenses for any persons attending the training program, including transportation, lodging, meals and wages. The amount expended will depend, in part, on the distance you must travel and the type of accommodation you choose. The estimate provided contemplates the training of 4 people (the operating owner, General Manager, and 2 designees) for approximately 14 days in accordance with the training schedule in Item 11. The estimate assumes a per diem cost and travel allowance of $750 to $1,250 per person.

6 **Business Licenses and Permits.** This estimate includes costs relating to business license requirements, health and safety regulations (including occupancy), employment regulations, food handling regulations, music and entertainment (including license fees to copyright and other intellectual property owners and vending and gaming licenses). You should not consider this list as comprehensive. The laws in your state, county or municipality may be more or less stringent. You are advised to examine these laws before purchasing a franchise from us. You may need to hire accountants and/or legal counsel to assist you in obtaining required licenses and permits and other legal compliance, which is shown as a separate entry in the above chart.

7 **Business Insurance.** The estimate is to pay for 12 months' insurance coverage under the required minimums under your Franchise Agreement, both before and after you open your Restaurant. The cost of insurance will vary based on the type of policies procured, nature and value of physical assets, gross revenues, number of employees, square

footage, geographical location, size, and contents of the business, and other factors bearing on risk exposure.

8 **Initial Inventory.** These amounts represent your initial inventory of small wares and food items.

9 **Computer Hardware and Software.** The estimated initial investment includes costs related to the purchase of approved POS System hardware and software as well as security cameras for the Franchised Business. We reserve the right to implement as a part of our standards and specifications contained in the Brand Manual the requirement that you obtain approved accounting, reporting and operational software. We do not currently anticipate that any required software will be customized and proprietary, thus the terms and conditions of any software license or other agreement which may be required to be executed by you in connection with software are not known to us at this time. We do not require you to use a specific POS System or Back Office System, however, we reserve the right to do so in the future. We have the right to change both the POS and Back Office Systems.

10 **Furniture, Fixtures, Equipment, and Signage.** You must furnish your Franchised Business in accordance with our standards. This will include certain required equipment, furniture and fixtures. These costs will vary depending on the size and condition of the Franchise Restaurant. Your required equipment will include the necessary food preparation equipment systems, dry and cold storage equipment, work areas and all other equipment required to properly operate the Restaurant. Signage must be obtained from our approved or your pre-approved supplier and conform to our standards, including standards related to the use of our trademarks as set forth in the Brand Manual.

11 **Grand Opening Marketing Program.** You will be required to spend the amount specified in your Franchise Agreement on for grand opening marketing and promotional programs in conjunction with the initial launch of your Restaurant, an amount which we estimate will be $25,000. These programs include marketing spanning from 60 days before opening to no later than 90 days post-opening, and may include food and beverage giveaways, and related direct labor.

12 **Professional Fees.** The estimate is for legal, accounting, administrative, traffic studies, demographic studies, and miscellaneous other professional fees that you may incur before you open for business, including (among other things) to assist you in reviewing the Franchise Agreement. Your actual costs may vary, for example, depending on the degree to which you rely upon your advisors, type of financing, lease negotiations, and the permitting process in your city. The hourly rates for advisors, accountants, and legal professionals will also vary.

13 **Additional Funds.** You will need capital to support on-going expenses, such as payroll and utilities, to the extent that these costs are not covered by sales revenue. New businesses often generate a negative cash flow. We estimate that the amount given will be sufficient to cover ongoing expenses for the start-up phase of the business, which we calculate to be three months. This is only an estimate, however, and there is no assurance that additional working capital will not be necessary during this start-up phase or after. Our estimate is based on our own business experience and information and that of our affiliates.

Your credit history could impact the amount (and cost) of funds needed during the start-up phase. If you have no credit history or a weak credit history suppliers may give you less favorable lending and payment terms, which might increase the amount of funds you will need during this period.

You will need to have staff on-hand before opening to prepare the Restaurant for opening, training, orientation, and related purposes. We estimate that you will need approximately 200 hours of staff time to get ready for your opening. Your staffing costs will depend on the prevailing wage rates in your area.

The figures in the chart and the explanatory notes are only estimates. Your actual costs may vary considerably, depending, for example, on factors such as: local economic conditions; the local market for the Restaurant; timing of your Restaurant opening; the prevailing wage rate; competition; the sales level achieved during the initial period of operation; and your management and training experience, skill, and business acumen.

You should review these figures carefully with a business advisor before making any decision to purchase the franchise. You should take into account the cash outlays and probable losses that you may incur while you are trying to get established. Extensive start-up costs may be involved, depending upon your circumstances.

Item 8 Restrictions on Sources of Products and Services

Required Purchases of Goods and Services

You must operate the Franchised Business in conformity with the methods, standards, and specifications that we require (whether in the Brand Manual or otherwise). Among other things, these standards require that you must:

- sell or offer for sale only those Products and Services, using the equipment and other items, that we have approved in writing for you to offer and use at your Franchised Business;
- sell or offer for sale all those Products and Services, using the equipment and other items, and employing the techniques that we specify in writing;
- not deviate from our standards and specifications by using or offering any non-conforming items without our specific prior written consent;
- stop using and offering for use any Products or Services that we at any time disapprove in writing (recognizing that we have the right to do so at any time).

If you deviate (or propose to deviate) from our standards and specifications, whether or not we have approved, the deviation will become our exclusive property.

We have the right to designate only one supplier for certain items used at the Franchised Business in order to take advantage of marketplace efficiencies. We are presently the only approved supplier for some food items, and some furniture, fixtures, and equipment you are required to purchase for the operation of your Franchised Business.

The Franchise Agreement also provides that you may not use any item bearing our trademarks without our prior written approval as to those items.

We estimate that the cost of your purchases and leases from sources that we designate or approve, as well as purchases in accordance with our standards and specifications, will be approximately 80% of the total cost of establishing a Franchised Business and approximately 80% of the cost of continued operation of the franchise.

You must allow us or our agents, at any reasonable time, to inspect the Franchised Business and to remove samples of items or products, without payment, in amounts reasonably necessary for inspection or testing by us or a third party to determine whether those samples meet our then-current standards and specifications. We may require you to bear the cost of that testing if we did not previously approve in writing the supplier of the item or if the sample that we take from your Franchised Business fails to conform to our specifications.

Approval of Alternative Suppliers

If you want to buy any supplies, or any other items from an unapproved supplier, you first must submit to us a written request asking for our approval to do so. You may not purchase from any proposed new supplier until we have reviewed and, if we think it is appropriate, approved in writing the proposed new supplier. We will provide our decision within sixty days after we have received your proposal. When considering whether to approve any particular possible supplier, we will consider (among others) the following factors:

- whether the supplier can show, to our reasonable satisfaction, the ability to meet our then-current standards and specifications;
- whether the supplier has adequate quality controls, insurance, capability, and capacity to supply the System's needs promptly and reliably; and
- whether the supplier's approval would enable the System, in our sole opinion, to take advantage of marketplace efficiencies.

Among other things, we will have the right to require that our representatives be permitted to inspect the proposed new supplier's facilities, and that samples from that supplier be delivered either to us or to an independent laboratory that we designate for testing. Either you or the proposed new supplier must pay us a charge (which will not exceed the reasonable cost of the inspection and the actual cost of the tests). We also may require that the proposed new supplier comply with certain other requirements that we may deem appropriate, including for example payment of reasonable continuing inspection fees and administrative costs, or other payment to us by the supplier on account of their dealings with you or other franchisees, for use, without restriction (unless otherwise instructed by the supplier) and for services that we may render to our suppliers.

Our criteria for approving a proposed supplier include various quality related factors, including for example the supplier's history, its other production work, product quality, quality controls, and related benchmarks. We typically will provide you with our response to a proposed new supplier within 30-45 days, but that vary depending on factors such as the nature of the item that is proposed for our consideration and the supplier's cooperation and response. We have the right to periodically re-inspect the facilities and products of any approved supplier and to revoke our approval if the supplier does not continue to meet any of our then-current criteria (if we revoke our approval, we will notify you in writing). You may not buy items from any supplier that we do not approve in writing, and you must stop buying items from any supplier that we may have approved but later disapprove.

We (and possibly one of our affiliates) are the only designated supplier for certain items that you must buy for the operation of your Franchised Business. None of our officers own any interest in any other approved or designated supplier for any product, good or service that you are required to purchase for the operation of your Franchised Business.

We have the right to collect and retain all manufacturing allowances, marketing allowances, rebates, credits, monies, payments or benefits (collectively, "**Allowances**") offered by suppliers to you or to us (or our affiliates) based upon franchisee purchases of Products, equipment, and other goods and services. These Allowances include those based on System-wide purchases of Products, equipment and other items. We may either retain the credit of any volume discounts, rebates or incentives received as a result of your purchases or contribute all or a portion of them to the Marketing Fund, should such a fund be established.

We and our affiliates may derive revenue based on franchisee purchases. During the fiscal year ended December 31, 2022, neither we nor any of our affiliates derived revenue from the sale of products to our franchisees and licensees.

We have no purchasing or distribution cooperatives at the current time. We may establish strategic alliances or preferred vendor programs with suppliers that are willing to supply some products or services to some or all of the Restaurants in our System. If we do establish those types of alliances or programs, we may limit the number of approved suppliers with whom you may deal, we may designate sources that you must use for some or all products and services, and we may refuse to approve proposals from franchisees to add new suppliers if we believe that action would be in the best interests of the System or the licensed network of Restaurants.

We have the right to negotiate prices and terms with suppliers for the benefit of our franchisees. Currently, neither we nor our affiliates have negotiated arrangements with suppliers for the benefit of our franchisees.

We do not provide material benefits to franchisees based on a franchisee's purchase of particular products or services or use of a designated or approved supplier

Insurance

You are required to obtain and maintain, throughout the term of the Franchise Agreement, certain minimum insurance types and coverages, including:

- Commercial general liability insurance, on a per occurrence basis, protecting against any and all claims for personal, bodily and/or property injury occurring in or about the Restaurant and protecting against assumed or contractual liability under the Franchise Agreement with respect to the Restaurant and your operations. These policies must provide, at a minimum, at least the following coverages:

Minimum Coverage Required:	
Each Occurrence	$1,000,000
Damage to Rented Premises (Each Occurrence)	$1,000,000
Medical Expense (Any One Person)	$5,000

Personal & Advertising Injury	$1,000,000
General Aggregate	$2,000,000
Products Liability or Completed Operations Aggregate”	$2,000,000

- Any other insurance coverage that is required by federal, state, or municipal law.

These policies must all include us and any entity in which we have an interest, as well as our affiliates, and each of our respective members, managers, shareholders, directors, officers, partners, employees, servants, and agents, as additional insured parties.

,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 item of this disclosure document.

	Obligation	Section in Franchise Agreement	Section in Development Agreement	Disclosure Document Item
a.	Site selection and acquisition/lease	1.2, 5	8	11, 12
b.	Pre-opening purchase/leases	5, 6, 7, and 14	Not applicable	11
c.	Site development and other pre-opening requirements	3.2, 5.2, 5.4, and 5.7	1, 2, and 8	5, 6, 7, 11
d.	Initial and ongoing training	3.1 and 6	Not applicable	11
e.	Opening	3.3, 3.7, 5.1, 5.4, 5.7 and 8.2	8	5, 6, 7, 11
f.	Fees	2.2.6, 4 and 16.5.9	4	5, 6
g.	Compliance with standards and policies/operating manual	1.5, 3.4, 5, 7, 8.1, and 10	Not applicable	8, 11, 15
h.	Trademarks and proprietary information	1.1 and 9	7	13, 14
i.	Restrictions on products/services offered	1.5 and 7	Not applicable	8, 16
j.	Warranty and customer service requirements	8	Not applicable	15
k.	Territorial development and sales quotas	1.3	2 and Exhibit A	12

	Obligation	Section in Franchise Agreement	Section in Development Agreement	Disclosure Document Item
l.	Ongoing product/service purchases	7	Not applicable	8
m.	Maintenance, appearance and remodeling requirements	5 and 8.6	Not applicable	11
n.	Insurance	15	9.1	7, 8, 11
o.	Advertising	3.5, 3.6 and 13	Not applicable	6, 11
p.	Indemnification	21 and Ex. C	9.7 and 13	14
q.	Owner's participation/management/ staffing	8.7	Not applicable	11, 15
r.	Records and reports	4.2, 12 and 15.7	Not applicable	6, 11
s.	Inspections and audits	3.7, 8.11 and 12	Not applicable	6, 11
t.	Transfer	8.10, 16 and 19.5	9.2 and 10	17
u.	Renewal	2.2	Not applicable	17
v.	Post-termination obligations	11.1.1, 12.1.2, 18, 19.3 and 19.5	9.3, 9.4, and 11	17
w.	Non-competition covenants	19	9.5	17
x.	Dispute resolution	27	9.13	17
y.	Taxes/permits	5.4, 8.8 and 20	9.6	Not applicable
z.	Other: Personal Guarantee	Ex. B	Ex. B	Not applicable

Item 10 Financing

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

Item 11 Franchisor's Assistance, Advertising, Computer Systems, and Training

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

Pre-Opening Assistance:

Before your open your Franchised Business, we will:

1. Provide services in connection with your site, including:

    - Site selection guidelines, counseling, and assistance as we deem advisable (Franchise Agreement, Section 1.2);

    - One on-site evaluation without a separate charge upon receipt of a completed site selection package submission (Franchise Agreement, Section 1.2);

    - Written notice of approval or disapproval of the proposed site within 30 days of receiving your site selection package submission (Franchise Agreement, Section 1.2); and

    - Review of lease, sublease, design plans, and renovation plans for the Restaurant (Franchise Agreement, Section 3.3);

2. Make available our standard layout, design and image specifications for a Restaurant, including:

    - Plans for exterior and interior design and layout (Franchise Agreement, Section 3.3); and

    - Written specifications for fixtures, furnishings, equipment, and signage (Franchise Agreement, Section 3.3), including the names of approved suppliers (however, we do not supply these items directly nor do we assist with delivery or installation);

3. Provide you with a copy of the Brand Manual (as more fully described below in this Item 11 of this FDD) (Franchise Agreement, Section 3.5);

4. Provide you with training (as more fully described below in this Item 11 of this FDD) (Franchise Agreement, Section 3.1);

5. Assist you in developing your Grand Opening Marketing Program (Franchise Agreement, Section 3.6);

6. Inspect and evaluate your Restaurant before it first opens for business (Franchise Agreement, Section 3.8); and

7. Provide a representative to be present at the opening of the Restaurant (Franchise Agreement, Section 3.4).

We are not required by the Franchise Agreement to furnish any other service or assistance to you before the opening of your Franchised Business.

Continuing Assistance:

We are required by the Franchise Agreement to provide certain assistance and service to you during the operation of your Franchised Business:

1. Provide you periodic assistance in the marketing, management, and operation of the Franchised Business at the times and in the manner that we determine (Franchise Agreement, Section 3.9);

2. Periodically offer you the services of certain of our representatives, such as field consultant, and these representatives will periodically visit your Franchised Business and offer advice regarding your operations (Franchise Agreement, Section 3.9); and

3. Provide ongoing training that we periodically deem appropriate, at such places and times that we deem proper (Franchise Agreement, Section 6.4)

Neither the Franchise Agreement, nor any other agreement, requires us to provide any other assistance or services to you during the operation of the Franchised Business.

Typical Length of Time Before Start of Operations:

You must open your Franchised Business within one year from the date you sign the Franchise Agreement. If you do not do so, that will be a default under the Franchise Agreement.

We estimate the length of time between the signing of the Franchise Agreement and the time you open your Restaurant at 270 to 365 days. Factors that may affect this time period include your ability to acquire financing or permits, build out your location, have signs and equipment installed in your location, and complete the required training. You should have a suitable location and signed lease within 180 days of signing the Franchise Agreement.

Advertising:

For each Period, you must contribute or spend an amount equal to 2% of the Adjusted Gross Sales of the Franchised Business for marketing (the "**Marketing Contribution**"). We have the right to allocate your Marketing Contribution among: (a) the Marketing Fund (if we create one); (b) local advertising, which may consist of: (i) your own local marketing and promotion expenditure; and (ii) contributions to a Regional Fund (if there is one for your area. Currently, we allocate the Marketing Contribution as follows:

0.5% of Adjusted Gross Sales	To be contributed to the Marketing Fund; and
1.5% of Adjusted Gross Sales	For you to spend on local marketing and promotion.

We have the right to periodically change the allocation of the Marketing Contribution. If we make a change, we will give you notice of that change, which will take effect as of the next Period.

The Marketing Fund. If we establish a Marketing Fund, the following provisions (and others in the Franchise Agreement) apply:

(1) We have sole decision-making authority and direction over all marketing programs, and any concepts, materials, and media used in such programs.

(2) The Marketing Fund, all contributions to that fund, and the fund's earnings, will be used exclusively to meet any and all costs of maintaining, administering, staffing, directing, conducting, preparing advertising, marketing, public relations and/or promotional programs and materials, and any other activities that we believe will enhance the image of the System.

(3) The Marketing Fund is not and will not be our asset. We will prepare and make available to you upon request an annual statement of the operations of the Marketing Fund as shown on our books.

(4) Although the Marketing Fund is intended to be of perpetual duration, we will have the right to terminate the Marketing Fund. The Marketing Fund will not be terminated, however, until all monies in the Marketing Fund have been expended for marketing purposes.

(5) None of the amounts in the Marketing Fund will be used for marketing that is principally a solicitation for the sale of franchises.

(6) As to the Marketing Fund: (a) we will not be required to spend any particular amount on marketing in the area where your Restaurant is located; and (c) if there are unspent amounts in the Marketing Fund at fiscal year-end, those amounts are carried over by the Marketing Fund for expenditure in the following year. We do not currently have an advertising council composed of franchisees that advises us on advertising policies.

(7) We will make an annual accounting of the Marketing Fund available upon request. The Marketing Fund will not be audited.

(8) Company- or affiliate-owned Restaurants will not be required to contribute to the Marketing Fund based on the same calculations that apply to a franchised Restaurant.

Local Marketing. Your local marketing will have two possible components. The first and primary component will be your own local store marketing (as described below). The second component will arise only in areas where there is a concentration of franchises in the same marketing area, where we may create a regional fund (as also described below).

1) *Local Store Marketing*. You may be required to spend a certain amount on local marketing and promotion on a continuous basis throughout the term of your Franchise Agreement. Currently, this requirement is set at a minimum of 1.5% of your Adjusted Gross Sales.

   A. Local marketing and promotion includes only the direct costs of purchasing and producing marketing materials (including camera ready advertising and point of sale materials), media (space or time), and those direct out of pocket expenses related to costs of marketing and sales promotion that you spend in your local market or area, advertising agency fees and expenses, postage, shipping, telephone, and photocopying.

   B. We will apply certain criteria in reviewing and evaluating the local marketing that you conduct. All of your local marketing must be dignified, must conform to our standards and requirements, and must be conducted in the media, type, and format that we have approved. You may not use any marketing, advertising, or promotional plans that we have not approved in writing. You must submit to us samples of all proposed plans. If we do not give our approval within 14 days, we will have been deemed to disapprove the plans or materials. Any and all copyright in and to advertising, marketing materials, and promotional plans developed by or on behalf of you will be our sole property.

   C. We may periodically make available to you for purchase marketing plans and promotional materials, including newspaper mats, coupons, merchandising

materials, sales aids, point-of-purchase materials, special promotions, direct mail materials, community relations programs, and similar marketing and promotional materials for use in local marketing.

D. You understand and acknowledge that the required contributions and expenditures are minimum requirements only, and that you may (and we encourage you to) spend additional funds for local marketing and promotion, which will focus on disseminating marketing directly related to your Franchised Business.

2) *Regional Fund*. If we have two or more franchisees operating in the same geographic region, or other circumstances arise that suggest it would be helpful, we have the right (but not the obligation) to establish a Regional Fund for that region. We do not currently have any Regional Funds. If we establish a Regional Fund for your area, the following provisions (and others in the Franchise Agreement) will apply:

A. If a Regional Fund for the area in which your Franchised Business operates was already established when you start operating under the Franchise Agreement, then you will have to join that Regional Fund.

B. If a Regional Fund for the geographic area in which the Franchised Business is located is later established, then you would have to join that Regional Fund within 30 days after that Regional Fund is established. You will not be required to join more than one Regional Fund.

C. Each Regional Fund will be organized and governed in a form and manner, and start operations on a date, that we have approved, in writing. Voting will be on the basis of one vote per full-service Restaurant (regardless of number of owners or whether the shop is franchised or owned by us or our affiliates).

D. Regional Funds will be organized for the exclusive purpose of administering regional marketing programs and developing (subject to our approval) standardized marketing materials for use by the members in regional marketing. Regional Funds may not use marketing, advertising, promotional plans, or materials without our prior written consent.

E. Although, if established, a Regional Fund is intended to be of perpetual duration, we maintain the right to close any Regional Fund. A Regional Fund will not be terminated, however, until all monies in that Regional Fund are spent for marketing purposes.

Grand Opening Marketing Program. You must spend at least $25,000 for grand opening marketing and promotional programs in conjunction with the Restaurant's initial grand opening, pursuant to a grand opening marketing plan that you develop and that we approve in writing (the "**Grand Opening Marketing Program**"). The Grand Opening Marketing Program must begin sixty days before the scheduled opening date for your Franchised Business and must be completed no later than sixty days after the Franchised Business starts to operate. Like all other marketing, your Grand Opening Marketing Program will be subject to our prior approval, marketing standards, and requirements.

Computer Requirements:

We may require our franchisees to purchase a Computer System. You must meet our requirements concerning the Computer System, including: (a) back office and point of sale

systems, data, audio, video (including managed video security surveillance), telephone, voice messaging, retrieval, and transmission systems for use at Restaurants, between or among Restaurants, and between and among the Franchised Business, and you, and us; (b) POS systems; (c) physical, electronic, and other security systems and measures; (d) printers and other peripheral devices (such as digital menu boards); (e) archival back-up systems; (f) internet access mode (such as the telecommunications connection) and speed; (g) technology used to enhance and evaluate the customer experience; (h) front-of-the-house WiFi and other internet service for customers; (i) in-Restaurant music systems; (j) age verification technology; (k) and supply-chain management software and hardware programs (collectively, all of the above are referred to as the "**Computer System**").

We do not currently require you to use a specific Point of Sale (POS) system; however, we have the right to do so in the future. If we establish a required POS System, that POS system may consist of a PC-based hardware platform (including PC processor and peripheral hardware devices such as touch screens, printers, bar code readers, card readers, cash drawers, battery back-up, etc.) combined with POS software. You will be required to maintain a continuous cabled (not wireless) connection to the internet to send and receive POS data to us. Wireless connections to the internet may not be authorized or supported for the POS system. You must establish merchant accounts and internet-based credit card and gift card authorization accounts that we designate for use with online card authorizations.

We have the right to develop or have developed for us, or to designate: (a) computer software programs and accounting system software that you must use in connection with the Computer System ("**Required Software**"), which you must install; (b) updates, supplements, modifications, or enhancements to the Required Software, which you must install; (c) the tangible media upon which you must record data; and (d) the database file structure of your Computer System.

We rely on suppliers to provide support for the hardware and software and we may require that you enter into service contracts directly with the hardware and software suppliers and pay the suppliers directly for this support.

We estimate that the cost of purchasing the Computer System and Required Software will typically range from $2,000 to $10,000.

The estimated annual cost of Computer System maintenance, support, and upgrades is $2,000. Neither we nor any of our affiliates have an obligation to provide ongoing maintenance, repairs, upgrades, or updates to your computer hardware or software.

You must be able to access information that is available on the Internet, and be able to send and receive email. We may periodically require you to upgrade and update the hardware and software used in connection with the Computer System. There are no contractual limitations on the frequency and cost of these upgrades and updates. We reserve the right to approve your email address or require you to use only an e-mail address that we provide for your Franchised Business' business e-mails.

You must afford us unimpeded access to your Computer System in the manner, form, and at the times we may request. We will have the independent right at any time to retrieve and use this data and information from your Computer System in any manner we deem necessary or desirable.

We have the right to require you to use one or more designated telephone vendors. If we so require, you must use our designated telephone vendors for the phone service to your Franchised Business. We may designate, and own, the telephone numbers for your Franchised Business.

Digital Sites. Unless we have otherwise approved in writing, you agree to neither establish nor permit any other party to establish a Digital Site relating in any manner whatsoever to your Franchised Business or referring to the Proprietary Marks. We will have the right, but not the obligation, to provide one or more references or webpage(s), as we may periodically designate, within our Digital Site. The term "**Digital Site**" means one or more related documents, designs, pages, or other communications that can be accessed through electronic means, including, but not limited to, the Internet, World Wide Web, webpages, microsites, social networking sites (e.g., Facebook, Twitter, LinkedIn, You Tube, Pinterest, Instagram, etc.), blogs, vlogs, applications to be installed on mobile devices (for example, iOS or Android apps), and other applications, etc. However, if we approve a separate Digital Site for you (which we are not obligated to do), then each of the following provisions will apply: (1) you may neither establish nor use any Digital Site without our prior written approval; (2) before establishing any Digital Site, you must submit to us, for our prior written approval, a sample of the proposed Digital Site, including its domain name, format, visible content (including, without limitation, proposed screen shots), and non-visible content (including meta tags), in the form and manner we may require; (3) you must not use or modify an Digital Site without our prior written approval; (4) you must comply with the standards and specifications for Digital Sites that we may periodically prescribe in the Brand Standards Manuals or otherwise in writing; (5) if we require, you must establish hyperlinks to our Digital Site and other Digital Sites; and (6) we may require you to make us the sole administrator (or co-administrator) of any social networking pages that you maintain or that are maintained on your behalf.

Data. All of the data that you collect, create, provide, or otherwise develop is and will be owned exclusively by us, and we will have the right to access, download, and use that data in any manner that we deem appropriate without compensation to you. All other data that you create or collect in connection with the System, and in connection with operating the Franchised Business (including customer and transaction data), is and will be owned exclusively by us during the term of, and after termination or expiration of, the Franchise Agreement. You will have to transfer to us all data (in the digital machine-readable format that we specify, including printed copies and originals) promptly upon our request, whether during the term of the Franchise Agreement, upon termination or expiration of this Agreement, or any transfer.

You must comply with all laws pertaining to the privacy of consumer, employee, and transactional information ("**Privacy Laws**"). You must also comply with our standards and policies concerning the privacy of consumer, employee, and transactional information.

Brand Manual:

We will loan you a copy of our Brand Manual (in such format as we deem appropriate) for your use during the term of the Franchise Agreement. The Brand Manual contains our standards and specifications for you to follow in the operation of your Restaurant. The Brand Manual will at all times remain our sole property and you will agree under the terms of the Franchise Agreement to treat the Brand Manual as confidential and to promptly return any and all copies to us following termination or expiration of the Franchise Agreement. (Franchise Agreement Section 10).

We reserve the right to periodically update and modify the contents and format of the Brand Manual (which currently has 95 pages). The Table of Contents of the current Brand Manual is found as Exhibit F to this FDD.

Training:

Subject	# Hours Of Classroom Training	# Hours Of On-The-Job Training	Location
Opening and Closing Procedures	0	6	Your Restaurant or another "Country Waffles Breakfast & Lunch" that we designate. "
Food Handing, Storage, and Cooking Procedures	0	40	
Produce, Dairy, and Bakery Purchasing, Handling, and Servicing Procedures	0	6	
Food Preparation and Presentation	0	40	
How and When to Order Food Products and Supplies	0	4	
Customer Relations	0	6	
Kitchen Equipment, Use, Maintenance and Repair	0	10	
Requirements of the Health Department and Sanitations Procedures	0	8	
Local Advertising	0	4	
Efficient Use of Utilities	0	4	
Maintaining and Cleaning the Restaurant	0	4	
Checking Out, Banking, and Accounting Procedures	0	4	
Safety and Protocol of Operation	0	6	
TOTAL	**0**	**142**	

Training will be conducted over a 21-day period at a location of our choosing (typically, your Restaurant or another "Country Waffles Breakfast & Lunch" of our choosing). Training is conducted as frequently as we determine it necessary in order to hold a training class.

Joe T. Ghazale, who serves as our Chief Executive Officer and Director, is responsible for supervising the initial training program. Mr. Ghazale has over 4 years of experience with us and over 40 years of experience operating businesses similar to the Restaurant.

The instructional materials for our training programs include the Brand Manual, lecture, discussions, and practice.

Under the Franchise Agreement, the Operating Owner and General Manager must attend and successfully complete, to our satisfaction, our training program. You must complete training at least 60 days before you open your Restaurant. You may send up to four additional individuals to the initial training program. If you wish to send additional individuals (beyond the Operating Owner, General Manager, and Additional Trained Personnel) to the initial training program, and we agree to have them join the session, then you must pay us a discounted training fee.

If for any reason either or both of your Operating Owner or General Manager stop active management or employment at the Franchised Business, or if we revoke the certification of your Operating Owner or your General Manager to serve in that capacity, then you must enroll a qualified replacement (who must be reasonably acceptable to us to serve in that capacity) in our initial training program within thirty days after the former individual ended his/her full time employment and/or management responsibilities. The replacement must attend and successfully complete the basic management training program, to our reasonable satisfaction, as soon as it is practical to do so. Under the Franchise Agreement, you must pay us a discounted training fee (currently $1,500) for each replacement individual to be trained, with payment to be made in full before training starts.

We may require that you and your Operating Owner, General Manager and Additional Trained Personnel attend such refresher courses, seminars, and other training programs as we may reasonably require periodically. We may further require you to enroll each of your employees in web-based training programs relating to the Products and Services that will be offered to customers of the Restaurant.

We will bear the cost of providing the instruction and required materials, except for additional and replacement training. You are responsible for making arrangements and paying all of the expenses, wages, and compensation for your staff that attends the training program.

All initial training required under the Franchise Agreement must be completed to our satisfaction before your Restaurant may open for business, which must occur within twelve months of the effective date of the Franchise Agreement.

Item 12 Territory

Franchise Agreement

Under the Franchise Agreement, you have the right to establish and operate one Restaurant at a specific approved location ("**Accepted Location**"). You will not receive an exclusive territory. You may face competition from other franchisees, from outlets that we own, from other channels of distribution or competitive brands that we control.

However, during the term of the Franchise Agreement, so long as you remain in compliance with the terms of the Franchise Agreement, we will not establish nor license anyone else to establish, another "Country Waffles Breakfast & Lunch" Restaurant at any location within the "**Protected**

Area" that is designated in your Franchise Agreement. We (and our affiliates) retain all other rights. Accordingly, we will have the right (among other things), on the conditions that we deem advisable, and without granting you any rights, to do any or all of the following:

- Establish, and franchise others to establish, Restaurants anywhere outside the Protected Area.

- Establish, and license others to establish, businesses that do not operate under the System and that do not use the Proprietary Marks, even if those businesses offer or sell products and services that are the same as or similar to those offered from your Franchised Business, no matter where those businesses are located;

- Establish, and license others to establish, Restaurants at any Non-Traditional Facility or Captive Market Location (as defined below), whether outside or inside the Protected Area;

- Acquire (or be acquired) and then operate any business of any kind, anywhere (but not to be operated as a "Country Waffles Breakfast & Lunch" Restaurant inside the Protected Area).

- Market and sell our Products in grocery stores and other retailers, or otherwise, through any channel of distribution (including alternative distribution channels such as e-commerce), anywhere (but not from a "Country Waffles Breakfast & Lunch" Restaurant operating inside the Protected Area).

The term "**Captive Market Location**" includes, among other things, non-foodservice businesses of any sort within which a Restaurant or a branded facility is established and operated (including, for example, hotels and resorts).

The term "**Non-Traditional Facility**" includes, among other things, college campuses, schools, casinos, airports and other travel facilities; federal, state, or local government facilities (including military bases); hospitals and medical facilities; theme and amusement parks; recreational facilities; seasonal facilities; shopping malls; theaters; and sporting event arenas and centers.

Additionally, you understand that we (and any of our affiliates and designees) reserve the right to distribute or sell any of our products: (a) in grocery stores and other retailers, and anywhere else, but not from another "Country Waffles Breakfast & Lunch" Restaurant operating in the Protected Area. The Franchise Agreement does not grant you any rights with regard to such sales programs, whether they exist now or are developed later.

You may offer and sell services and products only: (a) according to the requirements of the Franchise Agreement and the procedures set out in the Brand Manual; and (b) to customers and clients of the Franchised Business.

You may not offer or sell services or products through any means other than through the Franchised Business at the Accepted Location; and therefore, for example, you may not offer or sell services or products from satellite locations, temporary locations, mobile vehicles or formats, carts or kiosks, by use of catalogs, the Internet, or through any other electronic or print media.

For catering service provided at customers' homes, offices, and other locations ("**Catering**"), and for delivery service through the use of an approved local third-party provider of delivery services ("**Delivery**"): (a) you may not conduct Catering or Delivery activities during the initial operating and training period of the Franchised Business or without our prior written approval; (b) all

Catering and Delivery activities must be conducted in accordance with the terms and conditions stated in this Agreement and the standards that we set in the Brand Manual; and (c) we have the right to revoke our approval of Catering and/or Delivery at any time. Further, we have the right to require that you execute Delivery through Restaurant staff and/or through approved third-party delivery vendors. We will have the right at all times to approve or disapprove of any such Delivery services, including the arrangements that you propose to make with any third-party delivery vendor.

The Accepted Location for the Franchised Business will be specified in the Franchise Agreement. You may not relocate the Franchised Business without our prior written approval. If you ask to relocate the Franchised Business, we will evaluate your request on the basis of the same standards that we apply to reviewing the proposed location of a "Country Waffles Breakfast & Lunch" Restaurant for a new franchisee.

You do not need to meet any particular sales or revenue volume in order to keep your Protected Territory as described above so long as you stay in compliance with the terms of your Franchise Agreement.

We do not have the right to modify your Protected Territory so long as you stay in compliance with the terms of your Franchise Agreement.

Under the Franchise Agreement you will not have any options, rights of first refusal, or similar rights to acquire additional franchises or other rights, whether inside the Protected Territory or elsewhere.

Area Development Agreement

If you and we enter into a Development Agreement, you will be awarded a Development Area. The size of the Development Area will vary based on a number of factors including the density of the area, the number of Restaurants you must develop, demographics, competition, and location of any existing Restaurants in the general area. As a result, the Development Area is likely to consist of a portion of the city, county, or designated market area. The agreed upon area for the Development Area will be identified in the Development Agreement.

If you are a Developer and you comply with your obligations under the Development Agreement, we will not establish or license anyone other than you to establish a Restaurant under the System in your Development Area, until the end of the period of time specified in the Development Schedule to your Area Development Agreement, except that we will reserve all of the rights described below.

As a result, you will not receive an exclusive territory under a Development Agreement. You may face competition from other franchisees, from outlets that we own, or from other channels of distribution or competitive brands that we control.

We (and our affiliates) retain all rights not specifically granted to you. We will have the right (among other things), on any terms and conditions that we deem advisable, and without granting you any rights, to do any or all of the following:

- use, and to license others to use, the System and the Proprietary Marks (defined below) for the operation of Restaurants at any location outside the Development Area;

- acquire and operate (or be acquired by) any business or program of any kind, whether located within or outside the Development Area (but we will not change those other businesses into "Country Waffles Breakfast & Lunch" Restaurants operated in the Development Area);

- use and license the use of the Proprietary Marks and other marks in connection with the operation of businesses or programs at any location, which businesses and marks may be the same as, similar to, or different from the Restaurant and Proprietary Marks (but these will not be "Country Waffles Breakfast & Lunch" Restaurants located in the Development Area);

- sell or market any products or services using the Proprietary Marks or other marks, to purchasers who live or operate businesses in the Development Area by electronic media (such as the Internet and mobile applications), phone sales, catalogs, and/or direct mail, but we will not do so from a "Country Waffles Breakfast & Lunch" Restaurant located in the Development Area.

Except for the requirement that you be in compliance with your obligations under the Development Agreement (including for example the development schedule), continuation of your rights under the Development Agreement, as described above, is not subject to achieving any particular sales volume, market penetration, quota, or other benchmark. We may not modify your territorial rights. We will approve sites for Restaurants under a Development Agreement using the then-current site criteria we use at the times requested.

Item 13 Trademarks

We will license you under the Franchise Agreement the right to use certain Proprietary Marks, including the principal mark described below:

Mark	Application No.	Filing Date
COUNTRY WAFFLES BREAKFAST & LUNCH	S/N 97058704	October 4, 2021

We filed an application to register the mark listed above on the Principal Register of the U.S. Patent and Trademark Office (USPTO). Once registered, we intend to file when due affidavits of use and affidavits of incontestability, as well as a renewal application, for the marks listed above.

We do not yet have a federal registration for our principal trademark. Therefore, our trademark does not have many legal benefits and rights as a federally registered trademark. If our right to use the trademark is challenged, you may have to change to an alternative trademark, which may increase your expenses.

There are no currently effective determinations of the USPTO, the trademark administrator of this state, or of any court, nor any pending interference, opposition, or cancellation proceedings, nor any pending material litigation involving the trademarks, service marks, trade names, logotypes,

or other commercial symbols which is relevant to their use in this state or any other state in which the Franchised Business is to be located. There are no agreements currently in effect which significantly limit our rights to use or license the use of the Proprietary Marks (including trademarks, service marks, trade names, logotypes, or other commercial symbols) that are in any manner material to the franchise. There are no infringing uses actually known to us which could materially affect your use of the Proprietary Marks in this state or elsewhere.

We have the right to substitute different Proprietary Marks for use in identifying the System if our currently owned Proprietary Marks no longer can be used or if we determine that updated or changed Proprietary Marks will be beneficial to the System. In such circumstances, you must adopt the new Proprietary Marks at your expense.

You must promptly notify us of any suspected infringement of the Proprietary Marks, any challenge to the validity of the Proprietary Marks, or any challenge to our ownership of, or your right to use, the Proprietary Marks licensed under the Franchise Agreement. Under the Franchise Agreement, we will have the sole right to initiate, direct, and control any administrative proceeding or litigation involving the Proprietary Marks, including any settlement of the action. We also have the sole right, but not the obligation, to take action against uses by others that may constitute infringement of the Proprietary Marks. If you used the Proprietary Marks in accordance with the Franchise Agreement, we will defend you at our expense against any third party claim, suit, or demand involving the Proprietary Marks arising out of your use. If you did not use the Proprietary Marks in accordance with the Franchise Agreement, we will defend you, at your expense, against those third party claims, suits, or demands.

If we undertake the defense or prosecution of any litigation concerning the Proprietary Marks, you must sign any documents and agree to do the things that, in our counsel's opinion, may be necessary to carry out such defense or prosecution, such as becoming a nominal party to any legal action. Except to the extent that the litigation is the result of your use of the Proprietary Marks in a manner inconsistent with the terms of the Franchise Agreement, we agree to reimburse you for your out of pocket costs in doing these things, except that you will bear the salary costs of your employees, and we will bear the costs of any judgment or settlement. To the extent that the litigation is the result of your use of the Proprietary Marks in a manner inconsistent with the terms of the Franchise Agreement, you must reimburse us for the cost of the litigation, including attorneys' fees, as well as the cost of any judgment or settlement.

Item 14 Patents, Copyrights, and Proprietary Information

Copyrights

We own common law copyrights in the Brand Manual, our recipe books, certain drawings, and advertising materials, and we will make these available to you. These materials are our proprietary property and must be returned to us upon expiration or termination of the Franchise Agreement.

We will provide to you, under the terms of the Franchise Agreement, standard floor plans and specifications for construction of a Restaurant. You may be required to employ a licensed architect or engineer, who will be subject to our reasonable approval, to prepare plans and specifications for construction of your Restaurant, based upon our standard plans. These revised plans will be subject to our approval. You will be entitled to use the plans only for the construction of a single Restaurant at the site approved in the Franchise Agreement, and for no other purpose.

We will require your architect and contractor to agree to maintain the confidentiality of our plans and to assign to us any copyright in the derivative plans they create.

There are no currently effective determinations of the USPTO, U.S. Copyright Office, or any court concerning any copyright. There are no currently effective agreements under which we derive our rights in the copyrights and that could limit your use of those copyrighted materials. The Franchise Agreement does not obligate us to protect any of the rights that you have to use any copyright, nor does the Franchise Agreement impose any other obligation upon us concerning copyrights. We are not aware of any infringements that could materially affect your use of any copyright in any state.

Confidential Brand Manual

In order to protect our reputation and goodwill and to maintain high standards of operation under our Proprietary Marks, you must conduct your business in accordance with the Brand Manual. We will lend you one set of our Brand Manual, which we have the right to provide in any format we choose (including paper or digital), for the term of the Franchise Agreement.

You must at all times accord confidential treatment to the Brand Manual, any other Brand Manual we create (or that we approve) for use with the Franchised Business, and the information contained in the Brand Manual. You must use all reasonable efforts to maintain this information as secret and confidential. You may never copy, duplicate, record, or otherwise reproduce the Brand Manual and the related materials, in whole or in part (except for the parts of the Brand Manual that are meant for you to copy, which we will clearly mark as such), nor may you otherwise let any unauthorized person have access to these materials. The Brand Manual will always be our sole property. You must always maintain the security of the Brand Manual.

We may periodically revise the contents of the Brand Manual, and you must consult the most current version and comply with each new or changed standard. If there is ever a dispute as to the contents of the Brand Manual, the version of the Brand Manual (that we maintain) will be controlling.

Confidential Information

Except for the purpose of operating the Restaurant under the Franchise Agreement, you may never (during Franchise Agreement's term or later) communicate, disclose, or use for any person's benefit any of the confidential information, knowledge, or know how concerning the operation of the Franchised Business that may be communicated to you or that you may learn by virtue of your operation of a Restaurant. You may divulge confidential information only to those of your employees who must have access to it in order to operate the Franchised Business. Any and all information, knowledge, know how, and techniques that we designate as confidential will be deemed confidential for purposes of the Franchise Agreement. However, this will not include information that you can show came to your attention before we disclosed it to you; or that at any time became a part of the public domain, through publication or communication by others having the right to do so.

In addition, you must require each of your Principals and your General Managers to sign confidentiality covenants. Every one of these covenants must provide that the person signing will maintain the confidentiality of information that they receive in their employment or affiliation with you or the Restaurant. These agreements must be in a form that we find satisfactory, and must include, among other things, specific identification of our company as a third party beneficiary with

the independent right to enforce the covenants. Our current forms for this agreement are attached as Exhibit F to the Franchise Agreement). Once signed, you must provide us a copy of each executed confidentiality agreement.

Patents

No patents are material to the franchise. If it becomes advisable to us at any time to acquire a patent, you will be obligated to use the acquired patent as we may require.

Item 15 Obligation to Participate in the Actual Operation of the Franchise Business

The Franchise Agreement requires that you (or your Operating Owner or your management personnel will assume primary responsibility for the franchise operations and who we have previously approved in writing) must devote full time, energy, and best efforts to the management and operation of the Franchised Business, and must successfully complete the initial training program. Your Restaurant must be managed at all times by you (or your Operating Owner or Store Manager who has completed our initial training program to our satisfaction). The Operating Owner must own at least 25% of the voting and ownership interests in the franchisee entity, unless you obtain our prior written approval for the Operating Owner to hold a smaller interest. You must obtain personal covenants from your Store Manager, supervisors, and principals regarding confidentiality, Proprietary Marks, and non-competition. There is no requirement that you obtain a spousal guarantee.

Item 16 Restrictions on What Franchisee May Sell

You must offer and sell only those goods and services that we have approved. We may change the approved product offerings and any related merchandising and promotional materials at any time. You must use only displays, forms and other paper and plastic products imprinted with the trademarks.

All food and beverage products must be prepared and served only by properly trained personnel in accordance with the Brand Manual. All items offered from the Restaurant will be sold only at retail to customers unless otherwise approved by us.

We have the right to add other authorized goods and services that you must offer. These changes also may include new, different or modified equipment or fixtures necessary to offer such products and services. There are no limits on our right to make these changes.

THE FRANCHISE RELATIONSHIP

The table that follows lists important provisions of the Franchise Agreement, which is attached as Exhibit A to this Franchise Disclosure Document. Please read the portions of the agreement referred to in this chart for a full explanation of these key provisions.

FRANCHISE AGREEMENT			
	Provision	**Section in Franchise Agreement**	**Summary**
a.	Length of the franchise term	2.1	Term expires fifteen years from the Effective Date of the Franchise Agreement
b.	Renewal or extension of the term	2.2	Renewal of right to operate the franchised business for two additional fifteen-year terms by signing our then-current franchise agreement (which may contain terms and conditions materially different from those in your original agreement), subject to contractual requirements described in "c" below.
c.	Requirements for you to renew or extend	2.2.1 to 2.2.9	Timely written notice of intent to renew; refurbishment to comply with our then-current standards; compliance with agreement terms during agreement term and at time of renewal; timely compliance with all financial obligations; execution of then-current franchise agreement (which may contain materially different terms and conditions than your original franchise agreement); payment of renewal fee; execution of renewal agreement with general release; compliance with then-current personnel and training requirements; and demonstrated right to remain in accepted location.
d.	Termination by you	Not applicable	
e.	Termination by us without cause	Not applicable	
f.	Termination by us with cause	17	Default under Franchise Agreement, abandonment, and other grounds; see § 17 of the Franchise Agreement.

FRANCHISE AGREEMENT			
	Provision	**Section in Franchise Agreement**	**Summary**
g.	"Cause" defined – curable defaults	17.3	All defaults not specified in §§ 17.1 and 17.2 of the Franchise Agreement.
h.	"Cause" defined – non-curable defaults	17.1 to 17.2	Abandonment, conviction of felony, and others; see § 17.2 of the Franchise Agreement.
i.	Your obligations on termination or non-renewal	18 to 19	Cease operating Franchised Business, payment of amounts due, and others; see §§ 18.1 to 18.12, 19.
j.	Assignment of contracts by us	16.1	There are no limits on our right to assign the Franchise Agreement.
k.	"Transfer" by you – definition	16.4	Includes any sale, assignment, conveyance, pledge, encumbrance, merger, creation of a security, direct, or indirect interest in: (a) the Franchise Agreement; (b) you; (c) any or all of your rights and/or obligations under the Franchise Agreement; and/or (d) all or substantially all of the assets of the Franchised Business.
l.	Our approval of transfer by you	16.4 to 16.5	You may not make any transfers without our prior consent.
m.	Conditions for our approval of transfer	16.5	Release, signature of new Franchise Agreement, payment of transfer fee, and others; see §§ 16.5.1 to 16.5.10.
n.	Our right of first refusal to acquire your business	16.6	We have the right (not obligation) to match any bona fide offer.
o.	Our option to purchase your business	18.4 to 18.5	Upon termination or expiration of the Franchise Agreement, we can acquire any interest which you have in any lease or sublease for the premises and purchase your furnishings, equipment, material, or inventory at the lesser of cost or fair market value.
p.	Your death or disability	16.7	Representative must promptly apply for our approval to transfer interest and pay reasonable costs we incur in reviewing transfer.

FRANCHISE AGREEMENT			
	Provision	**Section in Franchise Agreement**	**Summary**
q.	Non-competition covenants during the franchise term	19.2 to 19.6	Prohibits engaging in "Competitive Business" (meaning any foodservice business that specializes in serving breakfast and lunch) during the Franchise Agreement term with no other temporal or geographical limitation.
r.	Non-competition covenants after the franchise is terminated or expires	19.2 to 19.6	Prohibits engaging in Competitive Business within 5 miles of (a) Accepted Location for your Restaurant and (b) any other Restaurant. Applies for two years after expiration, termination, or a transfer.
s.	Modification of the agreement	25.2	Only with mutual agreement and in writing.
t.	Integration/merger clause	25.1	Only the terms of the Franchise Agreement and other related written agreements are binding (subject to applicable state law). No other representations, prior statements, or promises will be binding (and supersede all prior agreements). Nothing in the Franchise Agreement or in any other related written agreement is intended to disclaim representations made in the franchise disclosure document.
u.	Dispute resolution by arbitration or mediation	27	Before bringing an action in court, the parties must first submit the dispute to non-binding mediation (except for injunctive relief). The Franchise Agreement contains provisions that may affect your legal rights, including a waiver of jury trial, waiver of punitive or exemplary damages, and limitations on when claims may be raised. See Section 27 of the Franchise Agreement. Please also see the various state disclosure addenda and agreement amendments attached to this disclosure document, which contain additional terms that may be required under applicable state law.
v.	Choice of forum	27.2	Any action you bring against us must be brought only within courts with jurisdiction

FRANCHISE AGREEMENT			
	Provision	**Section in Franchise Agreement**	**Summary**
			over Bakersfield, California. Any action we bring against you may be brought in jurisdiction where we maintain our principal place of business. Your state law may impact this provision.
w.	Choice of law	27.1	California law governs the Franchise Agreement. Your state law may impact this provision.

DEVELOPMENT AGREEMENT			
	Obligation	**Section in Development Agreement**	**Summary**
a.	Length of the franchise term	3	The term of the Development Schedule will be discussed and agreed upon by the parties before entering into the Development Agreement
b.	Renewal or extension of the term	Not Applicable	
c.	Requirements for you to renew or extend	Not Applicable	
d.	Termination by you	Not Applicable	
e.	Termination by us without cause	Not Applicable	
f.	Termination by us with cause	9.3 and 11	Failure to meet the Development Schedule, default or termination under the Franchise Agreement, abandonment, and other grounds; see § 17 of the Franchise Agreement. Termination of the Development Agreement does not constitute a default under any of your Franchise Agreements. This clause, like many of those in the Development Agreement, incorporate by reference the corresponding clauses in the Franchise Agreement. Please also see § 9 of the Development Agreement.

DEVELOPMENT AGREEMENT			
	Obligation	**Section in Development Agreement**	**Summary**
g.	"Cause" defined – curable defaults	9.3	Please see §§ 17.1 and 17.2 of the Franchise Agreement.
h.	"Cause" defined – non-curable defaults	9.3 and 11	Failure to meet development schedule and/or termination of a Franchise Agreement, and others; please see § 17.2 of the Franchise Agreement.
i.	Your obligations on termination or non-renewal	9.4	Please see §§ 18.1 - 18.11 of the Franchise Agreement.
j.	Assignment of contracts by us	9.2	There are no limits on our right to assign the Development Agreement.
k.	"Transfer" by you – definition	9.2 and 10	Includes transfer of any interest in you or the Development Agreement.
l.	Our approval of transfer by you	9.2 and 10	We have the right to review and approve all proposed transfers.
m.	Conditions for our approval of transfer	9.2 and 10	Your compliance with the agreement, a release, the buyer's signature of a new Development Agreement, the payment of transfer fee, and others; see §§ 16.5.1–16.5.10 of the Franchise Agreement. We may also withhold our consent to a transfer of some, but not all, of the Franchise Agreements separate from one another, and in any case, separate from the rights set forth under the Development Agreement.
n.	Our right of first refusal to acquire your business	9.2	We can match any offer, or the cash equivalent. §§ 16.6
o.	Our option to purchase your business	9.4	We can acquire your lease or sublease for the premises, and purchase your equipment, material, and inventory at cost or fair market value after termination or expiration. See Franchise Agreement §§ 18.4–18.5.
p.	Your death or disability	9.2	An interest in Development Agreement must be transferred to a third-party we have approved within six months. See Franchise Agreement § 16.7

DEVELOPMENT AGREEMENT			
	Obligation	**Section in Development Agreement**	**Summary**
q.	Non-competition covenants during the franchise term	9.5	Prohibits engaging in "Competitive Business" (meaning any foodservice business that specializes in serving breakfast and lunch) during the Development Agreement term with no other temporal or geographical limitation.
r.	Non-competition covenants after the franchise is terminated or expires	9.5	Includes a two-year prohibition similar to "q" (above), within the Development Area and within 5 miles of that area, and also within 5 miles of any other Restaurant then operating under the System.
s.	Modification of the agreement	9.11 and 12	Must be in writing executed by both parties.
t.	Integration/merger clause	9.11 and 12	Only the terms of the Development Agreement are binding. Notwithstanding the foregoing, nothing in the Development Agreement is intended to disclaim the express representations made in this Franchise Disclosure Document.
u.	Dispute resolution by arbitration or mediation	9.13	Before bringing an action in court, the parties must first submit the dispute to non-binding mediation (except for injunctive relief). The Development Agreement contains provisions that may affect your legal rights, including a waiver of jury trial, waiver of punitive or exemplary damages, and limitations on when claims may be raised. Please also see § 27 of the Franchise Agreement, which is incorporated by reference into the Development Agreement. Please also see the various state disclosure addenda and agreement amendments attached to this disclosure document, which contain additional terms that may be required under applicable state law.
v.	Choice of forum	9.13	Any action you bring against us must be brought only within courts with jurisdiction over Bakersfield, California. Any action we bring against you may be brought in jurisdiction where we maintain our principal

DEVELOPMENT AGREEMENT			
	Obligation	**Section in Development Agreement**	**Summary**
			place of business. Your state law may impact this provision.
w.	Choice of law	9.13	California law governs the Franchise Agreement. Your state law may impact this provision.

Item 18 Public Figures

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

Item 19 Financial Performance Representations

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

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 Joe T. Ghazale at Country Waffles, Inc., 4011 Jewett Avenue, Bakersfield, California 93301 (phone: 559.819.0099), the Federal Trade Commission, and the appropriate state regulatory agencies.

Table 1:
System wide Outlet Summary for 2020 to 2022 (Notes 1 and 2)

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Franchised	2020	17	15	-2
	2021	15	15	0
	2022	15	16	1
Company-Owned	2020	0	0	0
	2021	0	0	0
	2022	0	0	0
Total Outlets	2020	17	15	-2
	2021	15	15	0
	2022	15	16	1

Notes for tables 1-5 in this Item 20:

(1) All numbers are as of the fiscal year end. Our fiscal year end is December 31st.

(2) States not listed had no activity.

Table 2:
Transfers of Outlets from Franchisees to New Owners (other than the Franchisor) for 2020 to 2022 (Note 1)

State (Note 2)	Year	Number of Transfers
California	2020	0
	2021	0
	2022	0
Total	**2020**	**0**
	2021	**0**
	2022	**0**

Table 3:
Status of Franchised Outlets For 2020 to 2022 (Note 1)

State (Note 2)	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Re-acquired by Franchisor	Ceased Operations Other Reasons	Outlets at End of the Year
California	2020	17	0	0	0	0	2	15
	2021	15	0	0	0	0	0	15
	2022	15	1	0	0	0	0	16
Totals	**2020**	**17**	**0**	**0**	**0**	**0**	**2**	**15**
	2021	**15**	**0**	**0**	**0**	**0**	**0**	**15**
	2022	**15**	**1**	**0**	**0**	**0**	**0**	**16**

Table 4:
Status of Company-Owned Outlets
for 2020 to 2022 (Notes 1 and 2)

State (Note 3)	Year	Outlets at Start of the Year	Outlets Opened	Outlets Reacquired From Franchisee	Outlets Closed	Outlets Sold to Franchisee	Outlets at End of the Year
California	2020	0	0	0	0	0	0
	2021	0	0	0	0	0	0
	2022	0	0	0	0	0	0
Totals	**2020**	**0**	**0**	**0**	**0**	**0**	**0**
	2021	**0**	**0**	**0**	**0**	**0**	**0**
	2022	**0**	**0**	**0**	**0**	**0**	**0**

Table 5:
Projected Openings as of December 31, 2022 for 2023

State (Note 1)	Franchise Agreements Signed But Outlet Not Opened	Projected New Franchised Outlet In The Next Fiscal Year	Projected New Company-Owned Outlet In The Next Year
California	0	1	0

State (Note 1)	Franchise Agreements Signed But Outlet Not Opened	Projected New Franchised Outlet In The Next Fiscal Year	Projected New Company-Owned Outlet In The Next Year
Total	**0**	**1**	**0**

*****

The names, addresses, and telephone numbers of our franchisees and developers as of our fiscal year ending December 31, 2022 are listed in Exhibit H.

The name and last known home address and telephone number of every one of our franchisees and developers who has had an agreement terminated, canceled, not renewed, or who otherwise voluntarily or involuntarily ceased to do business under an agreement during one-year period ending December 31, 2022, or who has not communicated with us within ten weeks of the date of this disclosure document, are also listed in Exhibit I. If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

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

No franchisees have signed a confidentiality clause in a Franchise Agreement, settlement or other contract within the last three years that would restrict their ability to speak openly about their experience with us.

Item 21 Financial Statements

Our audited financial statements for our fiscal years ending December 31, 2022, December 31, 2021, and December 31, 2020, are attached as Exhibit G-1 and G-2. Our fiscal years end on December 31st each year.

Item 22 Contracts

Exhibit A	Franchise Agreement with Exhibits A. Data Sheet B. Guarantee, Indemnification, & Acknowledgements C. List of Principals D. ACH – Authorization Agreement for Direct Debit E. ADA Certification F. Sample Form of Non-Disclosure & Non-Competition Agreement G. Site Selection Addendum H. Lease Rider I. Index to Defined Terms
	Development Agreement with Exhibits J. Data Sheet K. Guarantee, Indemnification, & Acknowledgements L. List of Principals M. Form of Franchise Agreement
Exhibit E	Form of General Release
Exhibit H	State-Specific Addenda

Item 23 Receipts

The last two pages of this disclosure document (Exhibit M) are identical pages acknowledging receipt of this entire document (including the exhibits). Please sign and return to us one copy of the receipt page and please keep the other copy together with this disclosure document.

Country Waffles, Inc.

Franchise Agreement

Country Waffles, Inc.
Franchise Agreement

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Exhibits:

A Data Sheet

B Guarantee, Indemnification, and Acknowledgement

C List of Principals

D ACH - Authorization Agreement for Prearranged Payments (Direct Debits)

E ADA Certification

F Sample Form of Non-Disclosure and Non-Competition Agreement

G Site Selection Addendum

H Lease Rider

I Index to Defined Terms

Country Waffles, Inc.
Franchise Agreement

THIS FRANCHISE AGREEMENT (the "**Agreement**") is made and entered into as of the date that we have indicated on the signature page of this Agreement (the "**Effective Date**") by and between:

- COUNTRY WAFFLES, INC., a California corporation with its principal place of business at 4011 Jewett Avenue, Bakersfield, California 93301

- _____, a [resident of] [corporation organized in] [limited liability company organized in] the State of _____ and having offices at _____ ("**you**" or the "**Franchisee**").

Introduction

*We and our affiliates (as defined below) own a format and system relating to the establishment and operation of "Country Waffles Breakfast & Lunch" restaurant businesses in brick-and-mortar structures, featuring our interior and/or exterior designs, and which also feature, among other things, a specialty menu of all day breakfast and lunch items (each a "**Restaurant**"). Restaurants specialize in the sale of signature waffles, pancakes, omelets and other egg dishes, sandwiches, burgers, salads, and other products that we may periodically specify for on-premises and carry-out consumption, which may include Proprietary Items (as defined in this Agreement) as well as non-Proprietary Items to customers on-site (collectively, the "**Products**"). The services associated with offering Products to consumers are referred to as the "**Services**".*

*Among the distinguishing characteristics of a Restaurant are that it operates under our "Country Waffles Breakfast & Lunch" System. Our System includes (among other things): Products; signage; distinctive interior and exterior design and accessories; opening hours; operational procedures; standards and specifications; quality and uniformity of products and services offered; recipes and preparation techniques; management and inventory control procedures; software; training and assistance; business format, layouts and floor plans, methods, equipment lists and layouts, menus, the Proprietary Marks (defined below), as well as advertising and promotional programs (together, the "**System**").*

*We identify the System by means of our Proprietary Marks. Our proprietary marks include certain trade names (for example, the mark "COUNTRY WAFFLES BREAKFAST & LUNCH" and logo), service marks, trademarks, logos, emblems, and indicia of origin (for example, the "COUNTRY WAFFLES BREAKFAST & LUNCH" mark and logo), as well as other trade names, service marks, and trademarks that we may periodically specify in writing for use in connection with the System (all of these are referred to as our "**Proprietary Marks**"). We and our affiliates continue to develop, use, and control the use of our Proprietary Marks in order to identify for the public the source of Products and Services marketed under those marks and under the System, and to represent the System's standards of quality, cleanliness, appearance, and service.*

We are in the business of developing, programming and awarding franchise rights to third party franchisees, such as you. You will be in the business of operating a Restaurant, using the same brand and Proprietary Marks as other independent businesses that operate other Restaurants under the System (including some operated by our affiliates). We will not operate your Restaurant for you, although we have (and will continue) to set standards for Restaurants that you will have chosen to

adopt as yours by signing this Agreement and by your day-to-day management of your Restaurant according to our brand standards.

You have asked to enter into the business of operating a Restaurant under our System and wish to obtain a franchise from us for that purpose, as well as to receive the training and other assistance we provide as described in this Agreement. You also understand and acknowledge the importance of our standards of quality, cleanliness, appearance, and service and the necessity of operating the business franchised under this Agreement in conformity with our standards and specifications.

In recognition of all of the details noted above, the parties have chosen to enter into this Agreement, taking into account all of the promises and commitments that they are each making to one another in this Agreement, and for other good and valuable consideration (the sufficiency and receipt of which they hereby acknowledge) and they agree as follows:

1 GRANT

1.1 *Rights and Obligations*. We grant you the right, and you accept the obligation, all under the terms (and subject to the conditions) of this Agreement:

1.1.1 To operate one Restaurant under the System (the "**Franchised Business**");

1.1.2 To use the Proprietary Marks and the System, but only in connection with the Franchised Business (recognizing that we may periodically change or improve the Proprietary Marks and the System); and

1.1.3 To do all of those things only at the Accepted Location (as defined in Section 1.2 below).

1.2 *Accepted Location*. The street address of the location for the Franchised Business approved under this Agreement is specified in Exhibit A to this Agreement, and is referred to as the "**Accepted Location**."

1.2.1 When this Agreement is signed, if you have not yet obtained (and we have not yet approved in writing) a location for the Franchised Business, then:

1.2.1.1 you agree to enter into the site selection addendum (the "**Site Selection Addendum**," attached as Exhibit G to this Agreement) at the same time as you sign this Agreement; and

1.2.1.2 you will then find a site which will become the Accepted Location after we have given you our written approval for that site and you have obtained the right to occupy the premises, by lease, sublease, or acquisition of the property, all subject to our prior written approval and in accordance with the Site Selection Addendum.

1.2.2 We have the right to grant, condition, and/or to withhold approval of the Accepted Location under this Section 1.2. You agree that our review and approval of your proposed location, under this Section 1.2 or pursuant to the Site Selection Addendum, does not constitute our assurance, representation, or warranty of any kind that your Franchised Business at the Accepted Location will be profitable or successful (as further described in Section 5 of the Site Selection Addendum).

1.2.3 You agree not to relocate the Franchised Business without our prior written consent. Any proposed relocation will be subject to our review of the proposed new site under our then-current standards for site selection, and we will also have the right to take into consideration commitments that we have made to other franchisees, licensees, Lessors, real estate developers, and other parties relating to the proximity of a new Restaurant to their establishment. If you wish to relocate, then you must pay us a relocation fee of Five Thousand Dollars ($5,000) and you also must reimburse us (in advance) for the costs and expenses that we reasonably expect to incur (including, if we deem necessary to visit the proposed new location, the costs of travel, lodging and meals for our representatives to visit the proposed location), and our legal fees and related expenses incurred in connection with reviewing, approving, and documenting your relocation of the Franchised Business to a new site (the "**Relocation Expenses**"). The parties will reconcile the Relocation Expenses within thirty (30) days after you have reopened your Restaurant at the new location, based on a statement of our actual Relocation Expenses, at which time: **(a)** we will refund to you the unused balance of the funds that you have advanced as compared to our actual Relocation Expenses; or **(b)** you will pay us the additional amount necessary to fully reimburse us for our actual Relocation Expenses.

1.3 *Protected Area*. During the term of this Agreement, we will not operate, nor will we grant to any other party the right to operate, a Restaurant within the area that is specified as your "**Protected Area**," in the Data Addendum (Exhibit A), subject to the limitations in Sections 1.4 through 1.7 below.

1.4 *Our Reserved Rights*. We and our affiliates reserve all rights that are not expressly granted to you under this Agreement. Among other things, we have the sole right to do any or all of the following (despite proximity to your Protected Area and/or Franchised Business as well as any actual or threatened impact on sales at your Franchised Business):

1.4.1 We have the right to establish, and franchise others to establish, Restaurants anywhere outside the Protected Area;

1.4.2 We have the right to establish, and license others to establish, businesses that do not operate under the System and that do not use the Proprietary Marks licensed under this Agreement, even if those businesses offer or sell products and services that are the same as or similar to those offered from the Franchised Business, no matter where those businesses are located;

1.4.3 We have the right to establish, and license others to establish, Restaurants at any Non-Traditional Facility or Captive Market Location (as defined below), whether outside or inside the Protected Area;

1.4.4 We have the right to conduct catering and delivery service, as provided in Section 1.6 below;

1.4.5 We have the right to acquire (or be acquired) and then operate any business of any kind, anywhere (but not to be operated as a "Country Waffles Breakfast & Lunch" Restaurant inside the Protected Area); and

1.4.6 We have the right to market and sell our Products in grocery stores and other retailers, or otherwise, through any channel of distribution (including alternative distribution

channels such as e-commerce), anywhere (but not from a "Country Waffles Breakfast & Lunch" Restaurant operating inside the Protected Area).

1.4.7 Definitions.

1.4.7.1 The term "**Captive Market Location**" is agreed to include, among other things, non-foodservice businesses of any sort within which a Restaurant or a branded facility is established and operated (including, for example, hotels and resorts).

1.4.7.2 The term "**Non-Traditional Facility**" includes, among other things, college campuses, schools, casinos, airports and other travel facilities; federal, state, or local government facilities (including military bases); hospitals and medical facilities; theme and amusement parks; recreational facilities; seasonal facilities; shopping malls; theaters; and sporting event arenas and centers.

1.5 *Limits on Where You May Operate*.

1.5.1 You may offer and sell the Products only: **(a)** to customers of the Franchised Business; and **(b)** in accordance with the requirements of this Agreement and the procedures set out in the Brand Manual (defined below).

1.5.2 You agree not to offer or sell any products or services (including the Products) through any means other than through the Franchised Business at the Accepted Location (so for example, you agree not to offer or sell services or products from satellite locations, temporary locations, mobile vehicles or formats, carts or kiosks, by use of catalogs, the Internet, through other businesses, and/or through any other electronic or print media).

1.5.3 You agree that you will offer and sell Products from the Accepted Location only to retail customers:

1.5.3.1 Face to face, for consumption on the Restaurant premises;

1.5.3.2 Face to face, for personal carry-out consumption; and/or

1.5.3.3 As provided in Section 1.6 below.

1.5.4 You further understand that we will not prohibit other Restaurants or food service business (whether owned or franchised by us or by our affiliates) from delivering Products to customers at any location, whether inside or outside of the Protected Area.

1.6 *Delivery and Catering.* You agree that Restaurants are primarily intended for on-premises and off-premises carry-out consumption, and that we have the right to approve or disapprove any activity(ies) proposed to take place outside the Restaurant, including Delivery and Catering activities. We will consider various factors in determining whether to permit you to provide Delivery and/or Catering services from the Franchised Business (whether directly and/or through third parties), including the period of time you have been operating your Franchised Business, your sales volume, whether you have met certain quality standards and other benchmarks, and other standards that we may determine. In addition:

1.6.1 You agree not to engage in Delivery and/or Catering services, whether inside or outside of the Protected Territory, unless you have obtained our prior written consent as to each proposed Delivery and/or Catering order.

1.6.2 Any Delivery or Catering activities that you undertake must be conducted in accordance with the procedures that we specify in the Brand Manual or otherwise in writing. By granting approval to any one or more proposals to cater or deliver, we will not be deemed to have given our approval to, or waived our right to disapprove or condition our approval of, any ongoing or additional Catering or Delivery activities.

1.6.3 We have the right (but not the obligation) to establish a catering program that may include online and telephone ordering features, on our own, and/or in conjunction with one or more outside vendors (the "**Catering Program**"). If we establish a Catering Program, you agree to participate and to pay the related fees and costs.

1.6.4 We have the right to require that you conduct Delivery only through Restaurant staff and/or approved third-party Delivery vendors ("**TPD Providers**"). We will have the right at all times to approve or disapprove of any such Delivery services, TPD Providers, and other vendors (including aggregators), including the arrangements that you propose to make with any TPD Provider.

1.6.5 All Delivery and Catering sales that you make in any manner will be covered by the requirements of this Agreement, including the requirement to include those sales as part of your Franchised Business' Adjusted Gross Sales (see Section 4.2.2 below).

1.7 *Other Brands*. You understand that we may operate (or be affiliated with companies that operate) businesses under brand names (whether as company-owned concepts, as a franchisor, or as a franchisee) in addition to the "Country Waffles Breakfast & Lunch" brand, and also that we may acquire other brands (or be acquired by a company that operates other brands) (collectively, "**Other Brands**"). You understand and agree that this Agreement does not grant you any rights with respect to any such Other Brands.

2 TERM AND RENEWAL

2.1 *Term*. The term of this Agreement starts on the Effective Date and, unless this Agreement is earlier terminated in accordance with its provisions, will expire fifteen (15) years following the Effective Date.

2.2 *Renewal*. You will have the right to renew your rights to operate the Franchise Business for two (2) additional consecutive successor terms of fifteen (15) years each, so long as you have satisfied all of the conditions specified in Sections 2.2.1 through 2.2.9 before each such renewal:

2.2.1 You agree to give us written notice of your choice to renew at least twelve (12) months before the end of the term of this Agreement (but not more than fifteen (15) months before the term expires).

2.2.2 You agree to remodel and refurbish the Franchised Business to comply with our then-current standards in effect for new Restaurants (as well as the provisions of Section 8.8 below).

2.2.3 At the time of renewal: **(a)** you must be in compliance with the provisions of this Agreement (including any amendment to this Agreement), any successor to this Agreement, and/or any other contract between you (and your affiliates) and us (and our affiliates) and **(b)** in our reasonable judgment, you must have been in compliance during the term of this Agreement, even if we did not issue a notice of default or exercise our right to terminate this Agreement if you did not meet those obligations.

2.2.4 You must have timely met all of your financial obligations to us, our affiliates, the Marketing Fund, and/or the Regional Fund, as well as your vendors (including your lessors, suppliers, staff, and all other parties with whom you do business), throughout the term of this Agreement (even if we did not issue a notice of default or exercise our right to terminate this Agreement if you did not meet your obligations). You must be current with respect to your financial and other obligations to your lessor, suppliers, and all other parties with whom you do business.

2.2.5 You must sign our then-current form of franchise agreement, which will supersede this Agreement in all respects (except with respect to the renewal provisions of the new franchise agreement, which will not supersede this Section 2), and which you agree may contain terms, conditions, obligations, rights, and other provisions that are substantially and materially different from those spelled out in this Agreement (including, for example, a higher percentage Royalty Fee and marketing contribution). Your direct and indirect owners must also sign and deliver to us a personal guarantee of your obligations under the renewal form of franchise agreement. (In this Agreement, the term "**entity**" includes a corporation, a limited liability company, a partnership, and/or a limited liability partnership.)

2.2.6 Instead of a new initial franchise fee, you agree to pay us a renewal fee of Ten Thousand Dollars ($10,000).

2.2.7 You agree to sign and deliver to us a renewal agreement that will include a mutual general release (which will be effective as of when signed as well as the date of renewal), in a form that we will provide (which will include limited exclusions), which will release all claims against us and our affiliates, and our respective officers, directors, members, managers, agents, and employees. Your affiliates and your respective direct and indirect owners (and any other parties that we reasonably request) must also sign and deliver that release to us.

2.2.8 You and your personnel must meet our then-current qualification and training requirements.

2.2.9 You agree to present to us satisfactory evidence that you have the right to remain in possession of the Accepted Location for the entire renewal term of this Agreement.

3 OUR DUTIES

3.1 *Training*. We will provide you with the training specified in Section 6 below.

3.2 *Site Selection.* We will provide the site selection assistance that we think is needed, but you will retain the sole responsibility for choosing a viable site (even though we will have provided assistance and our opinions on the options).

3.3 *Standard Layout and Equipping of a Restaurant*. We will make available to, at no additional charge, our standard layout, design and image specifications for a Restaurant, including the exterior and interior design and layout, fixtures, furnishings, equipment, and signs. We have the right to modify our standard layout plans and specifications as we deem appropriate periodically (however, once we have provided those plans and specifications to you, we will not further modify the layout plans and specifications for the initial construction of your Restaurant). We will also provide the site selection and lease review assistance called for under Section 5.3 below.

3.4 *Opening and Additional Assistance*. We will provide a representative to be present at the opening of the Franchised Business. We will provide such additional on-site pre-opening and opening supervision and assistance that we think is advisable, and as may be described in the Brand Manual (defined below).

3.5 *Brand Manual*. We will lend to you one (1) copy of (or provide you with access to), during the term of this Agreement, our confidential brand manuals and other written instructions relating to the operation of a Restaurant (the "**Brand Manual**"), in the manner and as described in Section 10 below.

3.6 *Marketing Materials*. We will assist you in developing the Grand Opening Marketing Program (defined below). We have the right to approve or disapprove all marketing and promotional materials that you propose to use, pursuant to Section 13 below.

3.7 *Marketing Funds*. We will administer the Marketing Fund (as defined in Section 13 below) in the manner set forth in Section 13 below.

3.8 *Inspection Before Opening*. We will evaluate the Franchised Business before it first opens for business. You agree to not open the Franchised Business to customers or otherwise start operation until you have received our prior written approval to do so. You agree to provide us with written notice of the date that you intend to start operating at least forty-five (45) days in advance of the planned opening date.

3.9 *Assistance*. We will provide you with assistance in the marketing, management, and operation of the Franchised Business at the times and in the manner that we determine. We will periodically offer you the services of certain of our representatives, such as a field consultant, and these representatives will periodically visit your Franchised Business and offer advice regarding your operations, as we deem necessary to meet our own standards.

3.10 *Services Performed*. You agree that any of our designees, employees, agents, or independent contractors (such as an "area representative") may perform any duty or obligation imposed on us by the Agreement, as we may direct (if so, we will, nonetheless, remain responsible to you for the performance of these obligations).

3.11 *Our Decision-Making*. In fulfilling our obligations under this Agreement, and in conducting any activities or exercising our rights pursuant to this Agreement, we (and our affiliates) will always have the right: **(a)** to take into account, as we see fit, the effect on, and the interests of, other franchised and company-owned or affiliated businesses and systems; **(b)** to share market and product research, and other proprietary and non-proprietary business information, with other franchised businesses and systems in which we (or our affiliates) have an interest, and/or with our affiliates; **(c)** to test market various items in some or all parts of the System; **(d)** to introduce new Proprietary Items, products that are not Proprietary Items, and operational equipment; and/or **(e)** to allocate resources and new developments between and among systems, and/or

our affiliates, as we see fit. You understand and agree that all of our obligations under this Agreement are subject to this Section, and that nothing in this Section will in any way affect your obligations under this Agreement.

3.12 *Confirmation of Performance*. After we have performed our pre-opening obligations to you under this Agreement, we may ask that you execute and deliver to us a confirmation (the "**Confirmation of Performance**"), in a form we reasonably request, confirming that we have performed those obligations. If we ask you to provide us with such a certificate, you agree to execute and deliver the Confirmation of Performance to us within one (1) week after our request. However, if you do not reasonably believe that we have performed all of our pre-opening obligations, you must, within that same one (1) week period, provide us with written notice specifically describing the obligations that we have not performed. Not later than one (1) week after we complete all the obligations specified in that notice that we agree were unperformed, you agree to execute and deliver the Confirmation of Performance to us. You agree to do so even if we performed such obligations after the time performance was due under this Agreement. The term "pre-opening obligations" means the obligations we have to you under this Agreement that must be performed before your open your Restaurant.

4 FEES; SALES REPORTING

4.1 *Initial Franchise Fee*. You agree to pay us an initial franchise fee of Thirty-Five Thousand Dollars ($35,000) (the "**Initial Franchise Fee**"). The Initial Franchise Fee is due and payable to us on the day that you sign this Agreement. The Initial Franchise Fee is not refundable. The Initial Franchise Fee is payable in consideration of the services that we provide to you in connection with helping you to establish your new Restaurant.

4.2 *Royalty Fee and Sales Reports*. For each Period during the term of this Agreement, you agree to: **(a)** pay us a continuing royalty fee in the amount equal to five percent (5%) of the Adjusted Gross Sales of the Franchised Business ("**Royalty Fees**" or "**Royalties**"); and **(b)** report to us your Adjusted Gross Sales, in the form and manner that we specify (a "**Sales Report**"), by the time specified in Section 4.3 below. As used in this Agreement:

4.2.1 The term "**Adjusted Gross Sales**" means all revenue from the sale of all Products and Services and all other income of every kind and nature related to, derived from, or originating from the Franchised Business (whether or not permitted under this Agreement), including barter and the proceeds of any business interruption insurance policies, whether for cash or credit, and regardless of theft, or of collection in the case of credit. Adjusted Gross Sales excludes sales taxes and other taxes that you collect from your customers and actually pay to the appropriate taxing authorities.

4.2.2 The term "**Period**" means a calendar month, or, at our election a four or five-week retail accounting interval during the year for the purpose of organizing books and records (typically, with thirteen Periods in approximately one year). We have the right to establish the schedule for Periods with reasonable advance notice to you.

4.2.3 The term "**Month**" means a calendar month, starting on the first day of the calendar month at 12:00:01 am (local time) and ending at 11:59:59 pm on the last day of the calendar month.

4.3 *Due Date*. All payments required by Section 4.2 above and Section 13 below must be made by ACH (as specified below) by the 15th day of each Period (the "**Due Date**"), based on the Adjusted Gross Sales of the previous Period. (If the Due Date falls on a weekend or federal

holiday, then the Due Date shall be the following business day.) In addition, you agree to all of the following:

4.3.1 You agree to deliver to us all of the reports, statements, and/or other information that is required under Section 12 below, at the time and in the format that we reasonably request. You also agree to deliver the Sales Report to us by the Due Date based on the sales of the previous Period.

4.3.2 You agree to establish an arrangement for electronic funds transfer to us, or electronic deposit to us of any payments required under this Agreement. Among other things, to implement this point, you agree to sign and return to us our current form of "ACH - Authorization Agreement for Prearranged Payments (Direct Debits)," a copy of which is attached to this Agreement as Exhibit D (and any replacements for that form that we deem to be periodically needed to implement this Section 4.3.2), and you agree to: **(a)** comply with the payment and reporting procedures that we may specify in the Brand Manual or otherwise in writing; and **(b)** maintain an adequate balance in your bank account at all times to pay by electronic means the charges that you owe under this Agreement. If we elect to use ACH withdrawal to sweep payment of fees, then you will not be required to submit a separate payment to us unless you do not maintain sufficient funds to pay the full amount due. Accordingly: **(i)** you agree to maintain a proper and sufficient balance in the account from which your ACH deductions are made to pay all of the fees that are due under this Agreement; and **(ii)** if you do not do so, then you agree to pay us upon demand the amounts due and also reimburse us for the bank fees (if any) that we incur as well as a reasonable additional administrative fee that we will have the right to impose. You also agree that we may initiate an ACH withdrawal earlier than the Due Date so that the funds are actually transferred by the bank into our account on the Due Date.

4.3.3 You agree that your obligations to make full and timely payment of Royalty Fees and Marketing Contributions (and all other sums due to us) are absolute, unconditional, fully-earned (by us), and due as soon as you are first open to the public.

4.3.4 You agree not to, for any reason, delay or withhold the payment of any amount due to us under this Agreement; put into escrow any payment due to us; set-off payments due to us against any claims or alleged claims that you may allege against us, the Marketing Fund, the Regional Fund, our affiliates, suppliers, or others.

4.3.5 You agree that if you do not provide us, as requested, with access to your Computer System to obtain sales information or, if we require pursuant to Section 12.1.4 below or otherwise, printed and signed sales reports, then we will have the right to impute your sales for any period using (among other things) your sales figures from any Period(s) that we choose (which may be those with your highest grossing sales), and that you agree to pay the Royalties on that amount by our deduction of that amount from your direct debit account.

4.4 *No Subordination*. You agree: **(a)** not to subordinate to any other obligation your obligation to pay us the Royalty Fee and/or any other amount payable to us, whether under this Agreement or otherwise; and **(b)** that any such subordination commitment that you may give without our prior written consent will be null and void.

4.5 *Late Payment*. If we do not receive any payment due under this Agreement (and if the appropriate marketing fund does not receive payment due) on or before the due date, then

that amount will be deemed overdue. If any payment is late, then you agree to pay us, in addition to the overdue amount, interest on the overdue amount from the date it was due until paid, at the rate of one and one-half percent (1.5%) per month (but if there is a legal maximum interest rate that applies to you in your jurisdiction, not more than that maximum rate). Our entitlement to such interest will be in addition to any other remedies we may have. Any report that we do not receive on or before the due date will also be deemed overdue.

4.6 *Other Funds Due*. You agree to pay us, within ten (10) days of our written request (which is accompanied by reasonable substantiating material), any amounts that we have paid, that we have become obligated to pay, and/or that we choose to pay on your behalf.

4.7 *Index*. We have the right to adjust, for inflation, the fixed-dollar amounts (that is, those expressed in a numeral and not as a percentage of Adjusted Gross Sales) under this Agreement (except for the Initial Franchise Fee) once a year to reflect changes in the Index from the year in which you signed this Agreement. For the purpose of this Section 4.7, the term "**Index**" means the Consumer Price Index as published by the U.S. Bureau of Labor Statistics ("**BLS**") (1982-84=100; all items; CPI-U; all urban consumers). If the BLS no longer publishes the Index, then we will have the right to designate a reasonable alternative measure of inflation.

4.8 *Funds*. You agree to make all payments to us in U.S. Dollars to such bank account as we may periodically designate in writing (or as we otherwise direct in writing).

5 FRANCHISED BUSINESS LOCATION, CONSTRUCTION AND RENOVATION

5.1 *Opening Deadline.* You are responsible for purchasing, leasing, or subleasing a suitable site for the Franchised Business. You agree to establish the Franchised Business and have it open and in operation within twelve (12) months after the Effective Date of this Agreement. **Time is of the essence.**

5.2 *Site for the Restaurant*. As provided in Section 1.2 above, if you do not have (and we have not approved in writing) a location for the Restaurant as of the Effective Date, then you must find and obtain the right to occupy (by lease, sublease, or acquisition of the property) premises that we find acceptable to serve as your Restaurant, all in accordance with the Site Selection Addendum.

5.3 *Our Review and Your Responsibilities*. Any reviews that we conduct of the proposed site, lease, and other details concerning your site are for our benefit only, and to evaluate the proposed site against our internal standards. In addition:

5.3.1 You agree that our review, comments about, and even our approval of a proposed site, lease, sublease, design plans, and/or renovation plans for the Restaurant is not (and shall not be deemed) our recommendation, endorsement, and/or guarantee of the suitability of that location or the terms of the lease, sublease, and/or purchase agreement.

5.3.2 You agree to take all steps necessary to determine for yourself whether a particular location and the terms of any lease, sublease, and/or purchase agreement for the site are beneficial and acceptable to you (including retaining your own legal counsel to review the lease). Additionally, no matter to what extent (if any) that we participate in any lease, sublease, and/or purchase negotiations, discussions with the Lessors or property owners, and/or otherwise in connection with reviewing the lease, sublease

and/or purchase agreement, you have to make the final decision as to whether or not the proposed contract is sensible for your business, and the final decision as to whether or not to sign the lease, sublease, and/or purchase agreement is yours, and we will not be responsible for the terms and conditions of your lease, sublease, and/or purchase agreement.

5.3.3 You agree that: **(a)** any standard layout and equipment plans that we provide to you, as well as any review and comments that we provide to the plans that you develop for your Restaurant, are not meant to address the requirements of any Operating Codes (as defined in Section 8.7 below); **(b)** our standard plans or comments to your modified plans, will not reflect the requirements of, nor may they be used for, construction drawings or other documentation that you will need in order to obtain permits or authorization to build a specific Restaurant; **(c)** you will be solely responsible to comply with all local laws, requirements, architectural needs, and similar design and construction obligations associated with the site, at your expense; and **(d)** our review, comment, and approval of your plans will be limited to reviewing those plans to assess compliance with our standards (including issues such as trade dress, presentation of Proprietary Marks, and the provision to the potential customer of certain products and services that are central to the purpose, atmosphere, and functioning of Restaurants).

5.3.4 You agree that our recommendation or acceptance of the Accepted Site indicates only that we believe that the Accepted Site falls within the acceptable criteria for sites and premises that we have established as of the time of our recommendation or acceptance of the Accepted Site.

5.3.5 We will not review nor may our approval be deemed to address whether or not you have complied with any of the Operating Codes, including provisions of the Americans with Disabilities Act (the "**ADA**"); and you agree that compliance with such laws is and will be your sole responsibility.

5.3.6 You acknowledge that we will have no liability to you or any regulatory authority if you fail to obtain and/or maintain any necessary licenses or approvals required for the operation of the Franchised Business.

5.4 *Lease Review.* You agree to provide us with a copy of the proposed lease, sublease, or purchase agreement for the Accepted Location, and you agree not to enter into that lease, sublease, or purchase agreement until you have received our written approval. We have the right to condition our approval of the lease, sublease, or purchase agreement upon the inclusion of terms that we find acceptable and that are consistent with our rights and your responsibilities under this Agreement, including, that you and the Lessor execute a lease rider in the form attached to this Agreement as Exhibit H. You also agree:

5.4.1 to provide us with a copy of the fully signed lease and/or sublease, including a signed lease rider (in the form attached as Exhibit H), before you begin construction or renovations as the Accepted Location;

5.4.2 that our recommendation or acceptance of the proposed lease, sublease, or purchase agreement for the Accepted Location indicates only that we believe that the lease, sublease, or purchase agreement falls within the acceptable criteria for sites and premises that we have established as of the time of our recommendation or acceptance of the lease, sublease, or purchase agreement for the Accepted Location;

5.4.3 that our acceptance of the proposed site as well as your proposed lease, sublease, or purchase agreement for the Accepted Site does not constitute any guarantee or warranty, express or implied, of the successful operation or profitability of your Restaurant operated at the Accepted Site (and that our acceptance indicates only that we believe that the Accepted Site and the terms of the lease, sublease, or purchase agreement fall within our own internal criteria); and

5.4.4 that we have advised that you have your own attorney review and evaluate the lease, sublease, or purchase agreement.

5.5 *Preparing the Site.* You agree that promptly after obtaining possession of the Accepted Location, you will do all of the following:

5.5.1 obtain all required zoning permits, all required building, utility, health, sign permits and licenses, and any other required permits and licenses;

5.5.2 purchase or lease equipment, fixtures, furniture and signs as required under this Agreement (including the specifications we have provided in writing, whether in the Brand Manual or otherwise);

5.5.3 complete the construction and/or remodeling as described in Section 8.8 below, and installation of all equipment, fixtures, furniture and signs and decorating of the Franchised Business in full and strict compliance with plans and specifications for the Franchised Business that we have approved in writing, as well as all applicable ordinances, building codes and permit requirements;

5.5.4 obtain all customary contractors' partial and final waivers of lien for construction, remodeling, decorating and installation services; and

5.5.5 purchase an opening inventory of ingredients for Products and other materials and supplies.

5.6 *Construction or Renovation*. In connection with any construction or renovation of the Franchised Business (and before you start any such construction or renovation) you agree to comply, at your expense, with all of the following requirements, which you agree to satisfy to our reasonable satisfaction:

5.6.1 You agree to employ a qualified, licensed architect or engineer who is reasonably acceptable to us to prepare, for our approval, preliminary architectural drawings and equipment layout and specifications for site improvement and construction of the Franchised Business based upon standard layout, design and image specifications we will furnish in the Brand Manual (depending on whether, for example, your Franchised Business will be operated in a stand-alone facility, and end-cap, or as a retro-fit of an existing building). The materials that you submit to us must include a description of any modifications to our specifications (including requirements for dimensions, interior and exterior design and layout, equipment, fixtures, furnishings, signs, and decorating materials) required for the development of a Franchised Business. Our approval will be limited to conformance with our standard image specifications and layout, and will not relate to your obligations with respect to any applicable Operating Codes, including the ADA. After we have responded to your preliminary plans and you have obtained any permits and certifications, you agree to submit to us, for our prior written approval, final architectural drawings, plans and specifications. We will have the right to request

changes and approve, but we will not supervise or otherwise oversee your project. We will not unreasonably withhold our approval of your adapted plans, provided that such plans and specifications conform to our general criteria. Once we have approved those final plans, you cannot later change or modify the plans without our prior written consent.

5.6.2 You agree to comply with all Operating Codes, including the applicable provisions of the ADA regarding the construction and design of the Franchised Business. Additionally, before opening the Franchised Business, and after any renovation, you agree to execute and deliver to us an ADA Certification in the form attached to this Agreement as Exhibit E, to certify that the Franchised Business and any proposed renovations comply with the ADA.

5.6.3 You are solely responsible for obtaining (and maintaining) all permits and certifications (including, zoning permits, licenses, construction, building, utility, health, sign permits and licenses) which may be required by state or local laws, ordinances, or regulations (or that may be necessary or advisable due to any restrictive covenants relating to your location) for the lawful construction and operation of the Franchised Business. You must certify in writing to us that all such permits and certifications have been obtained.

5.6.4 You agree to employ a qualified licensed general contractor who is reasonably acceptable to us to construct the Franchised Business and to complete all improvements.

5.6.5 You agree to obtain (and maintain) during the entire period of construction the insurance required under Section 15 below; and you agree to deliver to us such proof of such insurance as we may reasonably require.

5.7 *Pre-Opening*. Before opening for business, you agree to meet all of the pre-opening requirements specified in this Agreement, the Brand Manual, and/or that we may otherwise specify in writing.

5.8 *Reporting Development Costs*. Within ninety (90) days after the Franchised Business first opens for business, you agree to give us a full written breakdown of all costs associated with the development and construction of the Franchised Business, in the form that we may reasonably find acceptable or that we may otherwise require.

6 OPERATING OWNER, PERSONNEL, AND TRAINING

6.1 *Operating Owner and Management*.

6.1.1 One of the parties that owns an interest in you must serve as your "**Operating Owner**." The Operating Owner must supervise the operation of the Franchised Business and must own at least twenty-five percent (25%) of the voting and ownership interests in the franchisee entity, unless you obtain our prior written approval for the Operating Owner to hold a smaller interest. The Operating Owner (and any replacement for that individual) must have qualifications reasonably acceptable to us to serve in this capacity, complete our training program as described below, must have authority over all business decisions related to the Franchised Business, must have the power to bind you in all dealings with us, and must have signed and delivered to us the Guarantee, Indemnification, and Acknowledgement attached to this Agreement as Exhibit B.

6.1.2 You must inform us in writing whether the Operating Owner will assume full-time responsibility for the daily supervision and operation of the Franchised Business. If not, then you must employ a full-time Store Manager (a "**Store Manager**") with qualifications reasonably acceptable to us, who will assume responsibility for the daily operation of the Franchised Business.

6.1.3 If you do not have a Store Manager then you must employ at least one (1) general manager and at least one (1) assistant manager (or someone serving in an equivalent capacity, subject to our prior written approval) at all times in the Franchised Business throughout the term of this Agreement, who have successfully completed, to our satisfaction, our initial training program and any additional training that we may require of such persons. You agree to pay us a discounted training fee in the amount of One Thousand Five Hundred Dollars ($1,500) for each additional person to be trained.

6.1.4 The Franchised Business must at all times be under the active full-time management of either Operating Owner or Store Manager (who must have successfully completed our initial training program to our satisfaction).

6.1.5 The term "**Additional Trained Personnel**" means Store personnel, in addition to the Operating Owner and Store Manager, who have successfully completed our initial and ongoing training requirements and possess the qualifications necessary to the management and/or service roles that each such person will perform in operating the Franchised Business.

6.2 *Initial Management Training*.

6.2.1 Owners Training. The Operating Owner and your Store Manager must attend and successfully complete, to our satisfaction, the owners' training program that we offer at our headquarters or another location that we specify.

6.2.2 Brand Management Training.

6.2.2.1 The Store Manager (and your initial general manager as well as your initial assistant manager) must also attend and successfully complete, to our satisfaction, the brand management training program that we offer at our headquarters or another location that we specify. (Your Store Manager will train your subsequently hired general managers and assistant managers.)

6.2.2.2 You may send up to four (4) individuals to the initial training program to our designated training facilities (which may be in California or elsewhere). If you wish to send additional individuals to be trained (including the Operating Owner, Store Manager, and Additional Trained Personnel) to the initial training program, you must pay us a training fee in the amount as shown in Exhibit A.

6.3 *Additional Obligations and Terms Regarding Training*.

6.3.1 If for any reason your Operating Owner and/or Store Manager cease active management or employment at the Franchised Business, or if we revoke the certification of your Operating Owner or your Store Manager to serve in that capacity, then you agree to enroll a qualified replacement (who must be reasonably acceptable to us to serve in that capacity) in our initial training program within thirty (30) days after

the former individual ended his/her full time employment and/or management responsibilities. The replacement must attend and successfully complete the basic management training program, to our reasonable satisfaction, as soon as it is practical to do so. You agree to pay us a discounted training fee in the amount of One Thousand Dollars ($1,000) for each replacement individual to be trained, with payment to be made in full before training starts.

6.3.2 We may require that you and your Operating Owner, Store Manager and Additional Trained Personnel attend such refresher courses, seminars, and other training programs as we may reasonably require periodically.

6.3.3 We may require you to enroll each of your employees in web-based training programs relating to the Products and Services that will be offered to customers of the Restaurant.

6.3.4 All of your trainees must sign and deliver to us a personal covenant of confidentiality in substantially the form of Exhibit F to this Agreement.

6.3.5 Training Costs and Expenses.

6.3.5.1 We agree to bear the cost of providing the instruction and required materials, except as otherwise provided in Sections 6.2, 6.3, 6.4, and 6.5 of this Agreement.

6.3.5.2 You agree to bear all expenses incurred in connection with any training, including the costs of transportation, lodging, meals, wages, benefits, and worker's compensation insurance for you and your employees. Training may take place at one or more locations that we designate, including California, Utah, or elsewhere.

6.3.5.3 You also agree to cover all of your employees at all times (including the pre-opening period, and including those attending training) under the insurance policies required in Section 15 below.

6.3.5.4 We have the right to reduce the duration or content of the training program for any trainee who has prior experience with our System or in similar businesses.

6.4 *Additional On-Site Training*. You may ask us to provide on-site training in addition to that which we will provide to you in connection with the initial training program and/or the opening of the Franchised Business, and if we are able to do so, then you agree to pay us our then-current per diem training charges as well as our out-of-pocket expenses. Additionally, if you do not pass one or more mystery shopper visits and/or inspections, then we have the right to determine that you are not operating your Restaurant in accordance with our brand standards, and we may place you in default of this Agreement and/or require you and/or your employees to complete additional training at the Franchised Business or a location that we designate, at your expense, which will include our then-current per diem training charges and our out-of-pocket expenses for any training conducted at your Franchised Business.

6.5 *Conventions and Meetings*. You agree to attend the conventions and meetings that we may periodically require and to pay a reasonable fee (if we charge a fee) for each person who is required to attend (and, if applicable, additional attendees that you choose to send as well).

You will also be responsible for all of the other costs of attendance, including travel, room and board, and your employees' wages, benefits and other expenses.

7 PURCHASING AND SUPPLY

The requirements of this Section 7 apply to Proprietary Items (Section 7.2), Input Items that you must purchase or otherwise source from approved suppliers (Section 7.1), and Input Items that you must otherwise purchase or source in accordance with our standards and specifications (Section 7.3).

7.1 *Input Items*. You agree to buy all ingredients, equipment, furniture, supplies, paper products, t-shirts, and other apparel), materials (such as packaging), and other products and services used (or offered for sale) at the Restaurant (together, "**Input Items**") only from suppliers as to whom we have given our prior written approval (and whom we have not subsequently disapproved). (The term Input Items also includes any pre-packaged Products that you buy from approved suppliers.) In this regard, the parties further agree:

7.1.1 In determining whether we will approve any particular supplier for an Input Item, we will consider various factors, including: **(a)** whether the supplier can demonstrate, to our continuing reasonable satisfaction, the ability to meet our then-current standards and specifications for such items; **(b)** whether the supplier has adequate quality controls and capacity to supply your needs promptly and reliably; **(c)** whether approval of the supplier would enable the System, in our sole opinion, to take advantage of marketplace efficiencies; and/or **(d)** whether the supplier will sign a confidentiality agreement and a license agreement in the form that we may require (which may include a royalty fee for the right to use our Proprietary Marks and any other proprietary rights, recipes, and/or formulae).

7.1.2 For the purpose of this Agreement, the term "**supplier**" includes, but is not limited to, manufacturers, distributors, resellers, and other vendors. You agree that we have the right to appoint only one supplier for any particular product, ingredient or item (which may be us or one of our affiliates).

7.1.3 You agree to offer and sell only Products and Services at the Franchised Business. You may not offer or sell anything at the Franchised Business that is not a Retail Product or a Service.

7.1.4 If you want to buy any Input Item from an unapproved supplier (except for Proprietary Items, which are addressed in Section 7.2 below), then you must first submit a written request to us asking for our prior written approval. You agree not to buy from any such supplier unless and until we have given you our prior written consent to do so. We have the right to require that our representatives be permitted to inspect the supplier's facilities, and that samples from the supplier be delivered, either to us or to an independent laboratory that we have designated for testing. You (or the supplier) may be required to pay a charge, not to exceed the reasonable cost of the inspection, as well as the actual cost of the test. We have the right to also require that the supplier comply with such other requirements that we have the right to designate, including payment of reasonable continuing inspection fees and administrative costs and/or other payment to us by the supplier on account of their dealings with you or other franchisees, for use of our trademarks, and for services that we may render to such suppliers. We also reserve the right, at our option, to periodically re-inspect the facilities and products of any such approved supplier and to revoke our approval if the

supplier does not continue to meet any of our then-current criteria. We are not required to approve any particular supplier, nor to make available our standards, specifications, or formulas to prospective suppliers, which we have the right to deem confidential.

7.1.5 You agree we have the right to establish one or more strategic alliances or preferred vendor programs with one or more nationally or regionally-known suppliers that are willing to supply all or some Restaurants with some or all of the products and/or services that we require for use and/or sale in the development and/or operation of Restaurants, notwithstanding anything to the contrary contained in this Agreement. In this event, we may limit the number of approved suppliers with whom you may deal, designate sources that you must use for some or all Input Items, and/or refuse any of your requests if we believe that this action is in the best interests of the System or the network of Restaurants. We have the right to approve or disapprove of the suppliers who may be permitted to sell Input Items to you. Any of our affiliates that sell Input Items to you will do so at our direction. If you are in default of this Agreement, we reserve the right to direct our affiliates not to sell Input Items to you, or to withhold certain discounts that might otherwise be available to you.

7.1.6 You agree that we have the right to collect and retain all manufacturing allowances, marketing allowances, rebates, credits, monies, payments or benefits (collectively, "**Allowances**") offered by suppliers to you or to us (or our affiliates) based upon your purchases of Input Items. These Allowances include those based on purchases of products, paper goods, ingredients, beverages, and other items (such as packaging). You assign to us or our designee all of your right, title and interest in and to any and all such Allowances and authorize us (or our designee) to collect and retain any or all such Allowances without restriction.

7.1.7 If we require you to offer and sell items that bear our Proprietary Marks, or to use items that bear our Proprietary Marks, then you must buy, use, and sell only the items that we require, and you must buy those items only from our approved suppliers.

7.2 *Proprietary Items*. You agree that: **(a)** we have the right to require that certain Products that you offer at the Franchised Business must be produced in accordance with our proprietary standards and specifications (and/or those of our affiliates), and that such items are our proprietary products ("**Proprietary Items**"); **(b)** we have the right to require that you purchase and offer Proprietary Items (as well as any packaging bearing the Proprietary Marks) only from us, our affiliates, and/or our designated suppliers, and not to offer or sell any other such products at or from the Franchised Business; and **(c)** we have the right to determine whether any particular item (now or in the future) is or will be deemed a "Proprietary Item."

7.3 *Specifications.* In addition to the provisions of Sections 7.1 and 7.2 above, as to those Input Items that we do not require you to buy or otherwise source from approved suppliers and that are not proprietary items (as specified in Section 7.2 above), you agree to purchase or otherwise source those Input Items only in accordance with the standards and specifications that we specify in the Brand Manual or otherwise in writing (for example, USDA Grade A eggs).

7.4 *Use of the Marks*. You agree to use all Logo Items that we require and not to use any items that are a substitute for a Logo Item without our prior written consent. The term "**Logo Items**" is agreed to mean all marketing materials, signs, decorations, paper goods (including and all forms and stationery used in the Franchised Business). You agree that all Logo Items that you use will bear the Proprietary Marks in the form, color, location, and manner we prescribe (and

that all such Logo Items will be subject to our prior written approval as provided in Section 13.8 below).

7.5 *Manufacturing*. You agree not to produce or otherwise manufacture any items in your Restaurant (except for products that we have otherwise authorized and approved for production in the Brand Manual or otherwise in writing).

8 YOUR DUTIES

In addition to all of the other duties specified in this Agreement, for the sake of brand enhancement and protection, you agree to all of the following:

8.1 *Importance of Following Standards*. You understand and acknowledge that every detail of the Franchised Business is important to you, to us, and to other "Country Waffles Breakfast & Lunch" franchisees in order to develop and maintain our brand and operating standards, to provide customer service to customers and participants, to increase the demand for the Products and Services sold, by all franchisees, and to protect and enhance the reputation and goodwill associated with our brand.

8.2 *Opening*. In connection with the opening of the Franchised Business:

8.2.1 You agree to conduct, at your expense, such promotional and marketing activities as we may require.

8.2.2 You agree to open the Franchised Business by the date specified in Section 5.1 above. Subject to availability and scheduling, we will send a representative to attend the opening; and you agree not to open the Franchised Business without our representative present. If we cannot provide our representative on the date that you propose to first open the Franchised Business for business, then you must reschedule such opening to a date on which our representative can be in attendance; provided, that we will not unreasonably delay opening of the Franchised Business due to these considerations.

8.2.3 You will not open the Franchised Business until we have determined that all construction has been substantially completed, and that such construction conforms to our standards including to materials, quality of work, signage, decor, paint, and equipment, and we have given you our prior written approval to open, which we will not unreasonably withhold.

8.2.4 You agree not to open the Franchised Business until the Operating Owner, Store Manager, and Additional Trained Personnel have successfully completed all training that we require, and not until you have hired and trained to our standards a sufficient number of employees to service the anticipated level of the Franchised Business's customers.

8.2.5 In addition, you agree not to open the Franchised Business until the Initial Franchise Fee and any other amounts due to us (and our affiliates) under this Agreement or any other agreements have been paid.

8.3 *Staffing*.

8.3.1 You agree to maintain a competent, conscientious staff in numbers sufficient to promptly service customers and to comply with staffing and service criteria, which may include without limitation specified positions that we may designate from time to time as necessary or appropriate for providing quality member experience according to our standards. We will provide our requirements for service/function positions that we may establish from time to time and which will be set forth in our Brand Manual.

8.3.2 For the sake of efficiency and to enhance and protect our brand you and your staff must, at all times, cooperate with us and with our representatives, and conduct the operation of the business in a first-class and professional manner in terms of dealing with customers, vendors, and our staff as well.

8.3.3 You agree that you will seek to develop, cultivate, and maintain a cooperative, cordial, and respectful work environment for your staff and among all of the owners of the Franchised Business.

8.4 *Operate According to Our Standards.* To ensure that the highest degree of quality and service is maintained, you agree to operate your Franchised Business in strict conformity with such methods, standards, and specifications that we may periodically require in the Brand Manual or otherwise in writing. In this regard, you agree to do all of the following:

8.4.1 You agree to maintain in sufficient supply, and to use at all times only the items, products, equipment, services, materials, and supplies that meet our written standards and specifications, and you also agree not to deviate from our standards and specifications by using or offering any non-conforming items without our specific prior written consent.

8.4.2 You agree: **(a)** to sell or offer for sale only those Services, items, and Products using the standards and techniques that we have approved in writing for you to offer and use at your Franchised Business; **(b)** to sell or offer for sale all Services, items, and Products using the standards and techniques that we specify in writing; **(c)** not to deviate from our standards and specifications; **(d)** to stop using and offering for use any Services or Products that we at any time disapprove in writing (recognizing that we have the right to do so at any time); and **(e)** that if you propose to deviate (or if you do deviate) from our standards and specifications, whether or not we have approved the deviation, that deviation will become our property.

8.4.3 You agree to permit us, or our agents, at any reasonable time, to inspect the Products, equipment and to remove samples of items or Products, without payment, in amounts reasonably necessary for testing by us or an independent third party to determine whether the Products, equipment, or samples meet our then-current standards and specifications. In addition to any other remedies we may have under this Agreement, we may require you to bear the cost of such testing if we had not previously approved the supplier of the item or if the sample fails to conform to our specifications.

8.4.4 You agree to buy and install, at your expense, all fixtures, furnishings, equipment, decor, and signs as we may specify, and to periodically make upgrades and other changes to such items at your expense as we may reasonably request in writing. Without limiting the above, you agree that changes in our System standard may require you to purchase new and/or additional equipment for use in the Franchised Business.

8.4.5 You agree not to install or permit to be installed on or about the premises of the Franchised Business, without our prior written consent, any fixtures, furnishings, equipment, machines, décor, signs, or other items that we have not previously in writing approved as meeting our standards and specifications.

8.4.6 You agree to immediately notify us in writing if you or any of your Principals are convicted of a felony, a crime involving moral turpitude, or any other crime or offense that is likely to have an adverse effect on the System, the Proprietary Marks, the goodwill associated therewith, or our interest therein.

8.4.7 You agree to purchase or lease, and use, the music system and playlist that we require, and pay fees to the licensing organization associated with playing that music.

8.5 *Use of the Premises.* You may use the Accepted Location only for the purpose of operating the Franchised Business and for no other purpose. You agree not to co-brand or permit any other business to operate at the Accepted Location.

8.6 *Hours and Days of Operation.* You agree to keep the Franchised Business open and in normal operation for such hours and days as we may periodically specify in the Brand Manual or as we may otherwise approve in writing.

8.7 *Health Standards and Operating Codes*. You agree to meet and maintain the highest health standards and ratings applicable to the operation of the Franchised Business. You agree to fully and faithfully comply with all Operating Codes applicable to your Franchised Business. You will have the sole responsibility to fully and faithfully comply with any Operating Codes, and we will not review whether you are in compliance with any Operating Codes. As used in this Agreement, "**Operating Codes**" means all applicable laws, codes, ordinances, and/or regulations (whether federal, state, municipal, and/or local) that apply to the Services, Products, construction and design of the Restaurant, and/or other aspects of operating the Franchised Business (including the ADA, laws pertaining to employment, etc.).

8.7.1 You agree to send us, within two (2) days of your receipt, a copy of all inspection reports, warnings, citations, certificates, and/or ratings resulting from inspections conducted by any federal, state or municipal agency with jurisdiction over the Franchised Business.

8.7.2 You must also obtain and maintain during the term of this Agreement all licenses and approvals from any governmental or regulatory agency required for the operation of the Franchised Business or provision of the Services you will offer, sell, and provide. Where required, you must obtain the approval of any regulatory authority with jurisdiction over the operation of your Franchised Business.

8.7.3 You acknowledge that we will have no liability to you or any regulatory authority for any failure by you to obtain or maintain during the term of this Agreement any necessary licenses or approvals required for the operation of the Franchised Business.

8.8 *Your Franchised Business:*

8.8.1 *Franchised Business Condition, Maintenance.* You agree that at all times, you will maintain the Franchised Business in a high degree of sanitation, repair, and condition. In addition, you agree to make such repairs and replacements to the Restaurant as may be required for that purpose (but no others without our prior written consent),

including the periodic repainting or replacement of obsolete signs, furnishings, equipment, and decor that we may reasonably require. You also agree to obtain maintenance services from qualified vendors for any equipment as we may specify and maintain those service agreements at all times. Your maintenance and upkeep obligations under this Section 8.8,1 are separate from those with respect to periodic upgrades that we may require regarding fixtures, furnishings, equipment, decor, and signs, and Section 8.8.2 below with respect to Major Remodeling. You also agree to complete a Minor Refurbishment as we may reasonably require, which will not be more than once every three (3) years. (The term "**Minor Refurbishment**" includes Computer Upgrades as defined in Section 14 below.)

8.8.2 *Major Remodeling*. In addition to the maintenance and upkeep obligations requirements under Section 8.8.1 above, you agree to refurbish the Franchised Business at your expense to conform to our then-current building design, exterior facade, trade dress, signage, furnishings, decor, color schemes, and presentation of the Proprietary Marks in a manner consistent with the then-current image for new Restaurants, including remodeling, redecoration, and modifications to existing improvements, all of which we may require in writing (collectively, "**Major Remodeling**"). In this regard, the parties agree that:

8.8.2.1 You will not have to conduct a Major Remodeling more than once every ten (10) years during the term of this Agreement (and not in an economically unreasonable amount); provided, however, that we may require Major Remodeling more often if a Major Remodeling is required as a pre-condition to renewal (as described in Section 2.2.2 above); and

8.8.2.2 You will have one (1) year after you receive our written notice within which to complete a Major Remodeling (but, in the case of a renewal, the Major Remodeling must be completed before you may renew).

8.9 *Use of the Marks*. You agree to follow all of our instructions and requirements regarding any marketing and promotional materials, signs, decorations, merchandise, any and all replacement trade dress products, and other items that we may designate to bear our then-current Proprietary Marks and logos (including our requirements as to the form, color, location, and manner for making use of those marks).

8.10 *Depending on your type of Entity:*

8.10.1 *Corporation*. If you are a corporation, then you agree to: **(a)** confine your activities, and your governing documents will at all times provide that your activities are confined, exclusively to operating the Franchised Business; **(b)** maintain stop transfer instructions on your records against the transfer of any equity securities and will only issue securities upon the face of which a legend, in a form satisfactory to us, appears which references the transfer restrictions imposed by this Agreement; **(c)** not issue any additional shares (whether voting securities or securities convertible into voting securities); and **(d)** maintain a current list of all owners of record and all beneficial owners of any class of voting stock of your company and furnish the list to us upon request.

8.10.2 *Partnership/LLP*. If you are a general partnership, a limited partnership, or a limited liability partnership (LLP), then you agree to: **(a)** confine your activities, and your governing documents will at all times provide that your activities are confined,

exclusively to operating the Franchised Business; **(b)** furnish us with a copy of your partnership agreement as well as such other documents as we may reasonably request, and any amendments thereto; **(c)** prepare and furnish to us, upon request, a current list of all of your general and limited partners; and **(d)** consistent with the transfer restrictions set out in this Agreement, maintain instructions against the transfer of any partnership interests without our prior written approval.

8.10.3 *LLC*. If you are a limited liability company (LLC), then you agree to: **(a)** confine your activities, and your governing documents will at all times provide that your activities are confined, exclusively to operating the Franchised Business; **(b)** furnish us with a copy of your articles of organization and operating agreement, as well as such other documents as we may reasonably request, and any amendments thereto; **(c)** prepare and furnish to us, upon request, a current list of all members and managers in your LLC; and **(d)** maintain stop transfer instructions on your records against the transfer of equity securities and will only issue securities upon the face of which bear a legend, in a form satisfactory to us, which references the transfer restrictions imposed by this Agreement.

8.10.4 *Guarantees*. If you (the Franchisee under this Agreement) are an entity, then you agree to obtain, and deliver to us, a guarantee of your performance under this Agreement and covenant concerning confidentiality and competition, in the form attached as Exhibit B, from each current and future direct and indirect: **(a)** shareholder of a corporate Franchisee; **(b)** member of a limited liability company Franchisee; **(c)** partner of a partnership Franchisee; and/or **(d)** partner of a limited liability partnership Franchisee.

8.11 *Quality-Control and Customer Survey Programs.* We may periodically designate an independent evaluation service to conduct a "mystery shopper," "customer survey," "food safety," and/or similar quality-control and evaluation programs with respect to Restaurants. You agree to participate in such programs as we require, and promptly pay the then-current charges of the evaluation service. If you receive an unsatisfactory or failing report in connection with any such program, then you agree to: **(a)** immediately implement any remedial actions we require; and **(b)** reimburse us for the expenses we incur as a result thereof (including the cost of having the evaluation service re-evaluate the Franchised Business, our inspections of the Franchised Business, and other costs or incidental expenses).

8.12 *Prices*.

8.12.1 We may periodically provide suggested retail pricing; however (subject to Section 8.12.2 below), you will always have the right to set your own prices.

8.12.2 You agree that we may set reasonable restrictions on the maximum and minimum prices you may charge for the Products and Services offered and sold at the Restaurant under this Agreement. You will have the right to set the prices that you will charge to your customers; provided, however, that (subject to applicable law): **(a)** if we have established a maximum price for a particular item, then you may charge any price for that item up to and including the maximum price we have established; and **(b)** if we have established a minimum price for a particular item, then you may charge any price for that item that is equal to or above the minimum price we have established.

8.13 *Menus*. You must order and pay for menus for your Restaurant in accordance with our standards and specifications for such menus.

8.14 *Environmental Matters*. Both parties recognize and agree that there are changing standards in this area in terms of applicable law, competitors' actions, consumer expectations, obtaining a market advantage, available and affordable solutions, and other relevant considerations. In view of those and other considerations, as well as the long-term nature of this Agreement, you agree that we have the right to periodically set reasonable standards with respect to environmental, sustainability, and energy for the System through the Brand Manual, and you agree to abide by those standards.

8.15 *Innovations.* You agree to disclose to us all ideas, concepts, methods, techniques and products conceived or developed by you, your affiliates, owners and/or employees during the term of this Agreement relating to the development and/or operation of the Restaurant. All such products, services, concepts, methods, techniques, and new information will be deemed to be our sole and exclusive property and works made-for-hire for us. You hereby grant to us (and agree to obtain from your affiliates, owners, employees, and/or contractors), a perpetual, non-exclusive, and worldwide right to use any such ideas, concepts, methods, techniques and products in any businesses that we and/or our affiliates, franchisees and designees operate. We will have the right to use those ideas, concepts, methods, techniques, and/or products without compensation to you. You agree not to use or allow any other person or entity to use any such concept, method, technique or product without obtaining our prior written approval.

8.16 *Suspending Operation*. You agree to immediately suspend operating the Franchised Business and promptly notify us in writing if: **(a)** any equipment used, or products or services sold, at the Franchised Business deviate from our standards; **(b)** any equipment used, or products or services sold, at the Franchised Business fail to comply with applicable laws or regulations; and/or **(c)** you fail to maintain the equipment, Franchised Business premises, personnel, or operation of the Franchised Business in accordance with any applicable law or regulations. In the event of such closing, you agree to immediately notify us, in writing, and also remedy the insafe, or other condition or other violation of the applicable law or regulation. You agree not to reopen the Franchised Business until after we have inspected the Franchised Business premises (physically or otherwise), and we have determined that you have corrected the condition and that all equipment used, or products or services to be sold, at the Franchised Business comply with our standards. This Section 8.16 does not limit or restrict our other rights under this Agreement.

9 PROPRIETARY MARKS

9.1 *Our Representations*. We represent to you that we own (and/or have an appropriate license to) all right, title, and interest in and to the Proprietary Marks.

9.2 *Your Agreement*. With respect to your use of the Proprietary Marks, you agree that:

9.2.1 You will use only the Proprietary Marks that we have designated in writing, and you will use them only in the manner we have authorized and permitted in writing; and all items bearing the Proprietary Marks must bear the then-current logo.

9.2.2 You will use the Proprietary Marks only for the operation of the business franchised under this Agreement and only at the location authorized under this Agreement, or in franchisor-approved marketing for the business conducted at or from that location (subject to the other provisions of this Agreement).

9.2.3 Unless we otherwise direct you in writing to do so, you agree to operate and advertise the Franchised Business only under the name "Country Waffles Breakfast & Lunch" without prefix or suffix (except with our prior written approval).

9.2.4 During the term of this Agreement and any renewal of this Agreement, you agree to identify yourself (in a manner reasonably acceptable to us) as the owner of the Franchised Business in conjunction with any use of the Proprietary Marks, including, but not limited to, uses on invoices, order forms, receipts, and contracts, as well as the display of a notice in such content and form and at such conspicuous locations on the premises of the Franchised Business (visible to customers, visible only to your staff, and otherwise as we may designate in writing).

9.2.5 Your right to use the Proprietary Marks is limited to such uses as are authorized under this Agreement, and any unauthorized use thereof shall constitute an infringement of our rights.

9.2.6 You agree not to use the Proprietary Marks to incur any obligation or indebtedness on our behalf.

9.2.7 You agree not to use the Proprietary Marks: **(a)** as part of your corporate or other legal name; **(b)** as part of any e-mail address, domain name, social networking site page, or other identification of you in any electronic medium (except as otherwise provided in Section 14.11); and/or **(c)** in any human relations (HR) document or materials, including job applications, employment agreements, pay checks, pay stubs, and the like.

9.2.8 You agree to: **(a)** comply with our instructions in filing and maintaining requisite trade name or fictitious name registrations; and **(b)** execute any documents that we (or our affiliates) deem necessary to obtain protection for the Proprietary Marks or to maintain their continued validity and enforceability, including any additional license agreements we may require for use of the Proprietary Marks on the Internet or in other marketing.

9.2.9 With respect to litigation involving the Proprietary Marks, the parties agree that:

9.2.9.1 You agree to promptly notify us of any suspected infringement of the Proprietary Marks, any known challenge to the validity of the Proprietary Marks, or any known challenge to our ownership of, or your right to use, the Proprietary Marks licensed under this Agreement. You agree to communicate only with us, our affiliates, our counsel, or your counsel regarding any such infringement or challenge. You acknowledge that we have the sole right to direct and control any administrative proceeding or litigation involving the Proprietary Marks, including any settlement thereof. We will also have the sole right, but not the obligation, to take action against uses by others that may constitute infringement of the Proprietary Marks.

9.2.9.2 Defense and Costs:

(a) *If You Used the Marks in Accordance with this Agreement*: If you have used the Proprietary Marks in accordance with this Agreement, then we will defend you at our expense against any third party claim, suit, or demand involving the Proprietary Marks arising out of your use thereof, and we agree to reimburse you for your out-of-pocket litigation costs in

doing such acts and things (except that you will bear the salary costs of your employees, and we will bear the costs of any judgment or settlement). .

(b) *If You Used the Marks But Not in Accordance with this Agreement*: If you used the Proprietary Marks in any manner that was not in accordance with this Agreement (including our instructions), then we will still defend you, but at your expense, against such third party claims, suits, or demands (including all of the costs of defense as well as the cost of any judgment or settlement). You agree to reimburse us for the cost of such litigation (or, upon our written request, pay our legal fees directly), including reasonable attorneys' fees, court costs, discovery costs, and all other related expenses, as well as the cost of any judgment or settlement.

9.2.9.3 If we undertake the defense or prosecution of any litigation or other similar proceeding relating to the Proprietary Marks, then you agree to sign any and all documents, and do those acts and things that may, in our counsel's opinion, be necessary to carry out the defense or prosecution of that matter (including becoming a nominal party to any legal action).

9.3 *Your Acknowledgements*. You agree that:

9.3.1 We own all right, title, and interest in and to the Proprietary Marks and the goodwill associated with and symbolized by them.

9.3.2 The Proprietary Marks are valid and serve to identify the System and those who are authorized to operate under the System.

9.3.3 Neither you nor any of your owners, principals, or other persons acting on your behalf will directly or indirectly contest the validity or our ownership of the Proprietary Marks, nor will you, directly or indirectly, seek to register the Proprietary Marks with any government agency (unless we have given you our express prior written consent to do so).

9.3.4 Your use of the Proprietary Marks does not give you any ownership interest or other interest in or to the Proprietary Marks, except the license granted by this Agreement.

9.3.5 Any and all goodwill arising from your use of the Proprietary Marks shall inure solely and exclusively to our benefit, and upon expiration or termination of this Agreement and the license granted as part of this Agreement, there will be no monetary amount assigned as attributable to any goodwill associated with your use of our System or of our Proprietary Marks.

9.3.6 The license that we have granted to you under this Agreement to use our Proprietary Marks is not exclusive, and therefore we have the right, among other things:

9.3.6.1 To use the Proprietary Marks ourselves in connection with selling Products and Services;

9.3.6.2 To grant other licenses for the Proprietary Marks, in addition to licenses we may have already granted to you and other licensees; and

9.3.6.3 To develop and establish other systems using the same or similar Proprietary Marks, or any other proprietary marks, and to grant licenses or franchises for those other marks without giving you any rights to those other marks.

9.4 *Change to Marks*. We reserve the right to substitute different Proprietary Marks for use in identifying the System and the businesses operating as part of the System if our currently owned Proprietary Marks no longer can be used, or if we determine, exercising our right to do so, that substitution of different, updated, or changed Proprietary Marks will be beneficial to the System. In such circumstances, you agree to adopt the new Proprietary Marks and that your right to use the substituted proprietary marks shall be governed by (and pursuant to) the terms of this Agreement.

10 CONFIDENTIAL BRAND MANUAL

10.1 *You Agree to Abide by the Brand Manual*. In order to protect our reputation and goodwill and to maintain our standards of operation under our Proprietary Marks, you agree to conduct your business in accordance with the written instructions that we provide, including the Brand Manual. We will lend to you (or permit you to have access to) one (1) copy of our Brand Manual, only for the term of this Agreement, and only for your use in connection with operating the Franchised Business during the term of this Agreement.

10.2 *Format of the Brand Manual*. We will have the right to provide the Brand Manual in any one or more format that we determine is appropriate (including paper and/or by making some or all of the Brand Manual available to you only in electronic form, such as through an internet website or an extranet), and we may change how we provide the Brand Manual from time to time. If at any time we choose to provide some or all of the Brand Manual electronically, you agree to immediately return to us any and all physical copies of the portions of the Brand Manual that we have previously provided to you.

10.3 *We Own the Brand Manual*. The Brand Manual will at all times remain our sole property and you agree to promptly return the Brand Manual (including any and all copies of some or all of the Brand Manual) when this Agreement expires and/or is terminated.

10.4 *Confidentiality and Use of the Brand Manual*.

10.4.1 The Brand Manual contains our proprietary information and you agree to keep the Brand Manual confidential both during the term of this Agreement and after this Agreement expires and/or is terminated. You agree that, at all times, you will ensure that your copy of the Brand Manual will be available at the Franchised Business premises in a current and up-to-date manner. Whenever the Brand Manual is not in use by authorized personnel, you agree to maintain secure access to the Brand Manual at the premises of the Franchised Business, and you agree to grant only authorized personnel (as defined in the Brand Manual) with access to the security protocols for the Brand Manual.

10.4.2 You agree to never make any unauthorized use, disclosure, and/or duplication of the Brand Manual in whole or in part.

10.5 *You Agree to Treat Brand Manual as Confidential*. You agree that at all times, you will treat the Brand Manual, any other manuals that we create (or approve) for use in the operation of the Franchised Business, and the information contained in those materials, as confidential, and you also agree to use your best efforts to maintain such information as secret and

confidential. You agree that you will never copy, duplicate, record, or otherwise reproduce those materials, in whole or in part, nor will you otherwise make those materials available to any unauthorized person.

10.6 *Which Copy of the Brand Manual Controls*. You agree to keep your copy of the Brand Manual only at the Franchised Business (and as provided in Section 10.4 above) and also to insure that the Brand Manual is kept current and up to date. You also agree that if there is any dispute as to the contents of the Brand Manual, the terms of the master copy of the Brand Manual that we maintain in our head office will be controlling. Access to any electronic version of the Brand Manual will also be subject to our reasonable requirements with respect to security and other matters, as described in Section 14 below.

10.7 *Revisions to the Brand Manual*. We have the right to revise the contents of the Brand Manual whenever we deem it appropriate to do so, and you agree to make corresponding revisions to your copy of the Brand Manual and to comply with each new or changed standard.

10.8 *Modifications to the System*. You recognize and agree that we may periodically change or modify the System and you agree to accept and use for the purpose of this Agreement any such change in the System (which may include, among other things, new or modified trade names, service marks, trademarks or copyrighted materials, new products, new equipment or new techniques) as if they were part of this Agreement at the time when you and we signed this Agreement. You agree to make such expenditures and such changes or modifications as we may reasonably require pursuant to this Section and otherwise in this Agreement.

11 CONFIDENTIAL INFORMATION

11.1 *Confidentiality*.

11.1.1 You agree that you will not, during the term of this Agreement or at any time thereafter, communicate, divulge, or use (for yourself and/or for the benefit of any other person, persons, partnership, entity, association, or corporation) any Confidential Information that may be communicated to you or of which you may be apprised by virtue of your operation under the terms of this Agreement. You agree that you will divulge our Confidential Information only to those of your employees as must have access to it in order to operate the Franchised Business.

11.1.2 Any and all information, knowledge, know-how, and techniques that we designate as confidential will be deemed Confidential Information for purposes of this Agreement, except information that you can demonstrate came to your attention before disclosure of that information by us; or which, at or after the time of our disclosure to you, had become or later becomes a part of the public domain, through publication or communication by another party that has the right to publish or communicate that information.

11.1.3 Any employee who may have access to any Confidential Information regarding the Franchised Business must execute a covenant that s/he will maintain the confidentiality of information they receive in connection with their association with you. Such covenants must be on a form that we provide, which form will, among other things, designate us as a third-party beneficiary of such covenants with the independent right to enforce them.

11.1.4 As used in this Agreement, the term "**Confidential Information**" includes, without limitation, our business concepts and plans, business model, financial model, recipes, food preparation methods, equipment, printing and digital document management methods, operating techniques, marketing methods, processes, formulae, manufacturing and vendor information, results of operations and quality control information, financial information, sales, royalty rates, accounting chart, demographic and trade area information, prospective site locations, market penetration techniques, plans, or schedules, the Brand Manual, customer profiles, preferences, or statistics, menu breakdowns, itemized costs, franchisee composition, territories, and development plans, this Agreement and other agreements related to the Franchised Business, and all related trade secrets or other confidential or proprietary information treated as such by us, whether by course of conduct, by letter or report, or by the use of any appropriate proprietary stamp or legend designating such information or item to be confidential or proprietary, by any communication to such effect made before or at the time any Confidential Information is disclosed to you.

11.2 *Consequences of Breach*. You agree that any failure to comply with the requirements of this Section 11 will cause us irreparable injury, and you agree to pay all costs (including, reasonable attorneys' fees, court costs, discovery costs, and all other related expenses) that we incur in obtaining specific performance of, or an injunction against violation of, the requirements of this Section 11.

12 ACCOUNTING, FINANCIAL AND OTHER RECORDS, AND INSPECTIONS

12.1 *Accounting Records and Sales Reports*.

12.1.1 With respect to the operation and financial condition of the Franchised Business, we will have the right to designate, and you agree to adopt, the fiscal year and interim fiscal periods that we decide are appropriate for the System.

12.1.2 With respect to the Franchised Business, you agree to maintain for at least seven (7) years during (as well as after) the term of this Agreement (and also after any termination and/or transfer), full, complete, and accurate books, records, and accounts prepared in accordance with generally accepted accounting principles and in the form and manner we have prescribed periodically in the Brand Manual or otherwise in writing, including: **(a)** daily cash reports; **(b)** cash receipts journal and general ledger; **(c)** cash disbursements and weekly payroll journal and schedule; **(d)** monthly bank statements, bank reconciliations, daily deposit slips, and cancelled checks; **(e)** all tax returns; **(f)** supplier's invoices (paid and unpaid); **(g)** dated daily and weekly cash register journals and POS reports in accordance with our standards; **(h)** periodic balance sheets, periodic profit and loss statements, and periodic trial balances; **(i)** operational schedules and weekly inventory records; **(j)** records of promotion and coupon redemption; and **(k)** such other records that we may periodically and reasonably request. You agree to allow us access to review all of these records as specified below in Section 12.6.

12.1.3 We have the right to specify the accounting software and a common chart of accounts, and, if we do so, you agree to use that software and chart of accounts (and require your bookkeeper and accountant to do so) in preparing and submitting your financial statements to us. We have the right to require you to use only an approved bookkeeping service and an approved independent certified public accountant. You agree to provide to the accounting service provider complete and accurate information

that we or the accounting service provider require, and agree that we will have full access to the data and information that you provide to the accounting service provider or through the designated program. Nothing in this clause requires your CPA to share with us its advice or guidance to you.

12.1.4 Each Period you agree to submit to us, in the form we specify and/or utilizing our Required Software (as that term is defined in Section 14.1.2 below), the Sales Report for the immediately preceding Period. You agree to submit the report to us by whatever method that we reasonably require (whether electronically through your use of our Required Software or otherwise) for our receipt no later than the times required under Section 4.3 above. You agree that if you do not submit those reports to us in a timely manner, and/or if you do not permit us to access your Computer System as provided, we will have the right to charge you for the costs that we incur in auditing your records.

12.2 *Financial Statements*.

12.2.1 You agree to provide us, at your expense, and in a format that we reasonably specify, a complete annual financial statement prepared on a review basis by an independent certified public accountant (as to whom we do not have a reasonable objection) within ninety (90) days after the end of each fiscal year of the Franchised Business during the term of this Agreement. Your financial statement must be prepared according to generally accepted accounting principles, include a fiscal year-end balance sheet, an income statement of the Franchised Business for that fiscal year reflecting all year-end adjustments, and a statement of changes in your cash flow reflecting the results of operations of the Franchised Business during the most recently completed fiscal year.

12.2.2 In addition, each Period during the term of this Agreement after the opening of the Franchised Business, you agree to submit to us, in a format acceptable to us (or, at our election, in a form that we have specified): **(a)** a fiscal period and fiscal year-to-date profit and loss statement and a periodic balance sheet (which may be unaudited) for the Franchised Business and a periodic trial balance through the end of each Period; **(b)** reports of those income and expense items of the Franchised Business for the Period that we periodically specify for use in any revenue, earnings, and/or cost summary we choose to furnish to prospective franchisees (provided that we will not identify to prospective franchisees the specific financial results of the Franchised Business); **(c)** copies of all state sales tax returns for the Franchised Business; and **(d)** copies of withholding remittances. You agree to provide to us the materials required by Sections 12.2.2(a) and 12.2.2(b) above by the Due Date, and the materials required by Sections 12.2.2(c) and 12.2.2(d) within ten (10) days after you have filed those returns with the appropriate taxing authorities.

12.2.3 Upon our request, you agree to take a physical inventory of the stock at your Restaurant and to provide us with a written report on the results of that inventory.

12.2.4 You must certify as correct and true all reports and information that you submit to us pursuant to this Section 12.2. You also agree to provide us with copies of your federal, state, and local income tax returns within ten (10) days of when you file those returns and within one hundred and eighty (180) days of each fiscal year end. If you do not meet your obligation to provide us with access to your books and records, as well as copies of required accounting records and financial statements, as specified in this Section 12, or if you fail to provide us with required reports (such as sales reports), then we will have the right to require you to have your annual financial statement

prepared on a review basis by an independent certified public accountant that is reasonably satisfactory to us (however, if you have failed on more than one occasion to meet the foregoing standards, then we will have the right to require that your annual financial statement be prepared on an audited basis by an independent certified public accountant that is reasonably satisfactory to us).

12.2.5 You agree that upon our request, and for a limited period of time, you will provide us (and/or our agents, such as our auditors) with passwords and pass codes necessary for the limited purpose of accessing your Computer System in order to conduct the inspections specified in this Section 12. You also agree that you will change all passwords and pass codes after the inspection is completed.

12.3 *Additional Information*. You also agree to submit to us (in addition to the sales reports required pursuant to Section 12.1.4 above), for review or auditing, such other forms, reports, records, information, and data as and when we may reasonably designate, in the form and format, and at the times and places as we may reasonably require, upon request and as specified periodically in the Brand Manual or otherwise in writing, including: **(a)** information in electronic format; **(b)** restated in accordance with our financial reporting periods; **(c)** consistent with our then-current financial reporting periods and accounting practices and standards; and/or **(d)** as necessary so that we can comply with reporting obligations imposed upon us by tax authorities with jurisdiction over the Franchised Business and/or our company. The reporting requirements of this Section 12.3 will be in addition to, and not in lieu of, the electronic reporting required under Section 14 below.

12.4 *PCI Compliance and Credit Cards*. With respect to processing customer payments by credit and debit cards, you agree to do all of the following:

12.4.1 You agree to comply with all of our policies regarding customer payment by credit and/or debit cards, including for example the required use of credit and/or debit cards and other payment methods offered by Payment Vendors, minimum purchase requirements for a customer's use of a credit and/or debit card, and other such requirements that we may set out in the Brand Manual.

12.4.2 You agree to maintain, at all times, credit-card relationships with the credit- and debit-card issuers or sponsors, check or credit verification services, financial-center services, merchant service providers, and electronic-fund-transfer systems (together, "**Payment Vendors**") that we may periodically designate as mandatory. The term "Payment Vendors" includes, among other things, companies that provide services for electronic payment, such as near field communication vendors (for example, "Apple Pay" and "Google Wallet").

12.4.3 You agree not to use any Credit Card Vendor for which we have not given you our prior written approval or as to which we have revoked our earlier approval.

12.4.4 We have the right to modify our requirements and designate additional approved or required methods of payment and vendors for processing such payments, and to revoke our approval of any service provider.

12.4.5 In addition to the other requirements of this Agreement to provide us with various information and reports, you agree to provide us with the information that we reasonably require concerning your compliance with data and cybersecurity requirements.

12.4.6 You agree to comply with our requirements concerning data collection and protection, as specified in Section 14.3 below.

12.4.7 You agree to comply with the then-current Payment Card Industry Data Security Standards as those standards may be revised and modified by the PCI Security Standards Council, LLC (see www.pcisecuritystandards.org), or any successor organization or standards that we may reasonably specify. Among other things, you agree to implement the enhancements, security requirements, and other standards that the PCI Security Standards Council (or its successor) requires of a merchant that accepts payment by credit and/or debit cards.

12.5 *Gift Cards and Incentive Programs*. You agree to offer for sale, and to honor for purchases by customers, all gift cards and other incentive or convenience programs that we may periodically institute (including loyalty programs that we or a third party vendor operate, as well as mobile payment and/or customer affinity applications); and you agree to do all of those things in compliance with our standards and procedures for such programs (which may be set out in the Brand Manual or otherwise in writing). You agree to abide by the written standards that we establish and disseminate (in the Brand Manual or otherwise) with respect to gift card residual value. For this purpose, you must purchase the software, hardware, and other items needed to sell and process gift cards, and to contact with the supplier of gift cards and gift card processing services, as we may specify in writing in the Brand Manual or otherwise. You must also pay such transaction fees as may be required by the vendors of the gift card system. You agree not to sell, issue, or redeem coupons, gift certificates and gift cards other than gift cards that we have approved in writing.

12.6 *Our Right to Inspect Your Books and Records*. We have the right at all reasonable times to examine, copy, and/or personally review or audit (at our expense) all of your sales receipts, books, records, and sales and income tax returns in person or through electronic access (at our option). We will also have the right, at any time, to have an independent audit made of your books and records. If an inspection should reveal that you have understated any payments in any report to us, then this will constitute a default under this Agreement, and you agree to immediately pay us the amount understated upon demand, in addition to interest from the date such amount was due until paid, at the rate of one and one-half percent (1.5%) per month (but if there is a legal maximum interest rate that applies to you in your jurisdiction, not more than that maximum rate). If we conduct an inspection because you did not timely provide sales reports to us, or if an inspection discloses that you understated your sales, in any report to us (and/or underpaid your Royalties), by two percent (2%) or more, or if you did not maintain and/or provide us with access to your records, then you agree (in addition to paying us the overdue amount and interest) to reimburse us for any and all costs and expenses we incur in connection with the inspection (including travel, lodging and wages expenses, and reasonable accounting and legal costs). These remedies will be in addition to any other remedies we may have. We may exercise our rights under this Section 12 directly or by engaging outside professional advisors (for example, a CPA) to represent us.

12.7 *Operational Inspections*. In addition to the provisions of Section 12.6 above, you also grant to us and our agents the right to enter upon the Franchised Business premises at any reasonable time for the purpose of conducting inspections, for among other purposes, preserving the validity of the Proprietary Marks, and verifying your compliance with this Agreement and the policies and procedures outlined in the Brand Manual. You agree to cooperate with our representatives in such inspections by rendering such assistance as they may reasonably request; and, upon notice from us or from our agents (and without limiting our other rights under this Agreement), you agree to take such steps as may be necessary to correct

immediately any deficiencies detected during any such inspection. You further agree to pay us our then-current per diem fee for our representative(s) and to reimburse us for our reasonable travel expenses if additional inspections at the Franchised Business are required when a violation has occurred and you have not corrected the violation, or if you did not provide us with your records or access to your records upon reasonable request that is permitted under this Agreement.

13 MARKETING

13.1 *Marketing Contribution*.

13.1.1 For each Period during the term of this Agreement, you agree to contribute or spend an amount equal to two percent (2%) of your Franchised Business' Adjusted Gross Sales during the preceding Period (the "**Marketing Contribution**"), allocated as provided in Section 13.1.2 below. You agree to pay the Marketing Contribution in the manner and at the times required under Section 4.3 above (and as otherwise provided in this Section 13). In addition to the Marketing Contribution, you agree to spend a minimum sum specified in Exhibit A to this Agreement to conduct the Grand Opening Marketing Program (as further described in Section 13.5 below).

13.1.2 We will have the right to allocate your Marketing Contribution in the proportion that we designate among the following: **(a)** the marketing and promotional fund for the U.S. (the "**Marketing Fund**"), if established as noted below; **(b)** any Regional Fund established for your area, as provided in Section 13.3 below (but we are not required to establish a Regional Fund for your area); and **(c)** to be spent by you on local marketing and promotion.

13.1.3 We currently allocate the Marketing Contribution as follows:

0.5%	To be contributed to the Marketing Fund; and
1.5%	To be spent by you on local marketing and promotion, as specified in Section 13.4 below.

13.1.4 We have the right to periodically make changes to the allocation of the Marketing Contribution by giving you written notice of the change, and those changes will take effect at the end of that Period.

13.1.5 No part of the Marketing Contribution shall be subject to refund or repayment under any circumstances.

13.2 *Marketing Fund*. We have the right (but not the obligation) to establish, maintain, and administer the Marketing Fund. All of the following provisions will apply to the Marketing Fund:

13.2.1 We (or our designee) will have the right to direct all marketing programs, with sole discretion over the concepts, materials, and media used in such programs and the placement and allocation thereof. You agree that the Marketing Fund is intended to maximize general public recognition, acceptance, and use of the System; and that we and our designee are not obligated, in administering the Marketing Fund, to make expenditures for you that are equivalent or proportionate to your contribution, or to

ensure that any particular franchisee benefits directly or pro rata from expenditures by the Marketing Fund.

13.2.2 The Marketing Fund, all contributions to that fund, and any of that fund's earnings, will be used exclusively to meet any and all costs of maintaining, administering, staffing, directing, conducting, preparing advertising, marketing, public relations and/or promotional programs and materials, and any other activities that we believe will enhance the image of the System (including, among other things, the costs of preparing and conducting marketing and media advertising campaigns on radio, television, cable, and other media; direct mail advertising; developing and implementing website, social networking/media, search optimization, and other electronic marketing strategies; marketing surveys and other public relations activities; employing marketing personnel (including salaries for personnel directly engaged in consumer-oriented marketing functions), advertising and/or public relations agencies to assist therein; purchasing and distributing promotional items, conducting and administering visual merchandising, point of sale, and other merchandising programs; engaging individuals as spokespersons and celebrity endorsers; purchasing creative content for local sales materials; reviewing locally-produced ads; preparing, purchasing and distributing door hangers, free-standing inserts, coupons, brochures, and trademarked apparel; market research; conducting sponsorships, sweepstakes and competitions; engaging mystery shoppers for Restaurants and their competitors; paying association dues (including the International Franchise Association), establishing third-party facilities for customizing local advertising; purchasing and installing signage; and providing promotional and other marketing materials and services to the Restaurants operated under the System).

13.2.3 You agree to contribute the portion of the Marketing Contribution allocated to the Marketing Fund in the manner and at the times that are specified above in Section 4.3. The Marketing Fund may also be used to provide rebates or reimbursements to franchisees for local expenditures on products, services, or improvements, approved in advance by us, which products, services, or improvements we deem, in our sole discretion, will promote general public awareness and favorable support for the System. All sums you pay to the Marketing Fund will be maintained in an account separate from our other monies and will not be used to defray any of our expenses, except for such reasonable costs and overhead, if any, as we may incur in activities reasonably related to the direction and implementation of the Marketing Fund and marketing programs for franchisees and the System. The Marketing Fund and its earnings will not otherwise inure to our benefit. We or our designee will maintain separate bookkeeping accounts for the Marketing Fund.

13.2.4 The Marketing Fund is not and will not be our asset. We will prepare and make available to you upon reasonable request an annual statement of the operations of the Marketing Fund as shown on our books.

13.2.5 Although once established the Marketing Fund is intended to be of perpetual duration, we maintain the right to terminate the Marketing Fund. The Marketing Fund will not be terminated, however, until all monies in the Marketing Fund have been expended for marketing purposes.

13.2.6 We will not use the Marketing Fund for solicitations that are primarily for the purpose of promoting the sale of new franchises.

13.3 *Regional Fund*. We have the right to designate any geographical area for purposes of establishing a Regional Fund. If a Regional Fund for the geographic area in which the Franchised Business is located has been established at the time you commence operations under this Agreement, then you must immediately become a member of such Regional Fund. If a Regional Fund for the geographic area in which the Franchised Business is located is established during the term of this Agreement, you must become a member of such Regional Fund within thirty (30) days after the date on which the Regional Fund commences operation. In no event will you be required to join more than one Regional Fund. The following provisions will apply to each such Regional Fund:

13.3.1 Each Regional Fund will be organized and governed in a form and manner, and will commence operations on a date, all of which we must have approved in advance, in writing.

13.3.2 Each Regional Fund will be organized for the exclusive purpose of administering regional marketing programs and developing, subject to our approval, standardized promotional materials for use by the members in regional marketing.

13.3.3 No marketing, advertising or promotional plans or materials may be used by a Regional Fund or furnished to its members without our prior approval, pursuant to the procedures and terms as set forth in Section 13.8 below.

13.3.4 Once you become a member of a Regional Fund, you must contribute to a Regional Fund pursuant to the allocation that we specify in Section 13.1.2 above, at the time required under Section 4.3 above, together with such statements or reports that we, or the Regional Fund (with our prior written approval) may require. We also have the right to require that you submit your Regional Fund contributions and reports directly to us for distribution to the Regional Fund.

13.3.5 Voting will be on the basis of one vote per full-service Restaurant, and any full-service Restaurants that we (or our affiliates) operate in the region will have the same voting rights as those owned by franchisees. Each franchised Restaurant in the Regional Fund shall also have one vote (no matter how many people own the franchisee).

13.3.6 A majority of the Restaurant owners in the Regional Fund may vote to increase the amount of each Restaurant owner's contribution to the Regional Fund by up to an additional two percentage points (200 basis points) of each Restaurant's Adjusted Gross Sales. You must contribute to the Regional Fund in accordance with any such vote by the Regional Fund to increase each Restaurant's contribution as provided in this section.

13.3.7 Although once established, each Regional Fund is intended to be of perpetual duration, we maintain the right to terminate any Regional Fund. A Regional Fund will not be terminated, however, until all monies in that Regional Fund have been expended for marketing purposes.

13.4 *Local Marketing and Promotion*. You must spend such amounts on local marketing and promotion as we specify in Sections 13.1.3 and 13.1.4 above on a continuous basis (monthly if not otherwise as agreed with us in writing). As used in this Agreement, the term "local marketing and promotion" will consist only of the direct costs of purchasing and producing marketing materials (including camera ready advertising and point of sale materials), media (space or time), and those direct out of pocket expenses related to costs of marketing and

sales promotion that you spend in your local market or area, advertising agency fees and expenses, postage, shipping, telephone, and photocopying; however, the parties agree that local marketing may not include costs or expenses that you incur or that are spent on your behalf in connection with any of the following:

13.4.1 Salaries and expenses of your employees, including salaries or expenses for attendance at marketing meetings or activities, or incentives provided or offered to such employees, including discount coupons (however, you may also include within local marketing and promotion food give-aways, but only the wholesale cost plus direct labor associated with the food give-aways);

13.4.2 Charitable, political, or other contributions or donations; and/or

13.4.3 The value of discounts provided to consumers.

13.5 *Grand Opening Marketing Program*. In addition to the Marketing Contribution, you agree to spend at least the amount designated on the Data Sheet attached as Exhibit A for grand opening marketing and promotional programs in conjunction with the Franchised Business's initial grand opening, pursuant to a grand opening marketing plan that you develop and that we approve in writing (the "**Grand Opening Marketing Program**"). The Grand Opening Marketing Program must begin sixty (60) days before the scheduled commencement date for the Franchised Business and be completed no later than sixty (60) days after the Franchised Business commences operation, and is subject to the provisions of Section 13.8 below. You may include food give-aways in the Grand Opening Marketing Program (but only the wholesale cost plus direct labor associated with those food give-aways).

13.6 *Materials Available for Purchase*. We may periodically make available to you for purchase marketing plans and promotional materials, including newspaper mats, coupons, merchandising materials, sales aids, point-of-purchase materials, special promotions, direct mail materials, community relations programs, and similar marketing and promotional materials for use in local marketing.

13.7 *Standards*. All of your local marketing and promotion must: **(a)** be in the media, and of the type and format that we may approve; **(b)** be conducted in a dignified manner; and **(c)** conform to the standards and requirements that we may specify. You agree not to use any advertising, marketing materials, and/or promotional plans unless and until you have received our prior written approval, as specified in Section 13.8 below.

13.8 *Our Review and Right to Approve All Proposed Marketing*. For all proposed local marketing and promotion, advertising, and promotional plans, you (or the Regional Fund, where applicable) must submit to us samples of such plans and materials (by means described in Section 24 below), for our review and prior written approval. If you (or the Regional Fund) have not received our written approval within fourteen (14) days after we have received those proposed samples or materials, then we will be deemed to have disapproved of them. You agree that any and all copyright in and to advertising, marketing materials, and promotional plans developed by or on behalf of you will be our sole property, and you agree to sign such documents (and, if necessary, require your employees and independent contractors to sign such documents) that we deem reasonably necessary to give effect to this provision.

13.9 *Rebates*. You agree that periodic rebates, give-aways and other promotions and programs will, if and when we adopt them, be an integral part of the System. Accordingly, you agree to honor and participate (at your expense) in reasonable rebates, give-aways, marketing

programs, and other promotions that we establish and/or that other franchisees sponsor, so long as they do not violate regulations and laws of appropriate governmental authorities.

13.10 *Considerations as to Charitable Efforts*. You agree that certain associations between you and/or the Franchised Business and/or the Proprietary Marks and/or the System, on the one hand, and certain political, religious, cultural or other types of groups, organizations, causes, or activities, on the other, however well-intentioned and/or legal, may create an unwelcome, unfair, or unpopular association with, and/or an adverse effect on, our reputation and/or the good will associated with the Proprietary Marks. Accordingly, you agree that you will not, without our prior written consent, take any actions, positions, and/or make statements that are (or that may be perceived by the public to be) taken in the name of, in connection or association with you, the Proprietary Marks, the Franchised Business, us, and/or the System involving the donation of any money, products, services, goods, or other items to, any charitable, political or religious organization, group, or activity.

13.11 *Additional Marketing Expenditure Encouraged*. You understand and acknowledge that the required contributions and expenditures are minimum requirements only, and that you may (and we encourage you to) spend additional funds for local marketing and promotion, which will focus on disseminating marketing directly related to your Franchised Business.

14 TECHNOLOGY

14.1 *Computer Systems and Required Software.* With respect to computer systems and required software:

14.1.1 We have the right to specify or require that certain brands, types, makes, and/or models of communications, computer systems, and hardware to be used by, between, or among Restaurants, and in accordance with our standards, including: **(a)** back office and point of sale systems, data, audio, video (including managed video security surveillance, which we have the right to monitor to the extent permitted by law), telephone, voice messaging, retrieval, and transmission systems for use at Restaurants, between or among Restaurants, and between and among the Franchised Business, and you, and us; **(b)** point-of-sale (POS) (defined in Section 14.6 below); **(c)** physical, electronic, and other security systems and measures; **(d)** printers and other peripheral devices; **(e)** archival back-up systems; **(f)** internet access mode (e.g., form of telecommunications connection) and speed; **(g)** technology used to enhance and evaluate the customer experience; **(h)** digital and virtual menu boards and related technology, hardware, software, and firmware; **(i)** front-of-the-house WiFi and other connectivity service for customers; **(j)** cloud-based back-end management systems and storage sites; **(k)** in-shop music systems under Section 8.4.7 above; and **(l)** consumer-marketing oriented technology (including affinity and rewards hardware and software, facial and other customer-recognition technology, and approved social media/networking sites) (collectively, all of the above are referred to as the "**Computer System**").

14.1.2 We will have the right, but not the obligation, to develop or have developed for us, or to designate: **(a)** computer software programs and accounting system software that you must use in connection with the Computer System (including applications, technology platforms, and other such solutions) ("**Required Software**"), which you must install and maintain; **(b)** updates, supplements, modifications, or enhancements to the Required Software, which you must install and maintain; **(c)** the media upon which you must record data; and **(d)** the database file structure of your Computer

System. If we require you to use any or all of the above items, then you agree that you will do so. The term "Required Software" also includes the affinity program cards that are required under Section 12.5 above.

14.1.3 You agree to install, use, maintain, update, and replace (as needed) the Computer System and Required Software at your expense. You agree to pay us or third party vendors, as the case may be, initial and ongoing fees in order to install, maintain, and continue to use the Required Software, hardware, and other elements of the Computer System.

14.1.4 You agree to implement and periodically make upgrades and other changes at your expense to the Computer System and Required Software as we may reasonably request in writing (collectively, "**Computer Upgrades**") (which may be in conjunction with a Minor Refurbishment or as is otherwise needed).

14.1.5 You agree to comply with all specifications that we issue with respect to the Computer System and the Required Software, and with respect to Computer Upgrades, at your expense. You agree to afford us unimpeded access to your Computer System and Required Software, including all information and data maintained thereon, in the manner, form, and at the times that we request.

14.1.6 You also agree that we will have the right to approve or disapprove your use of any other technology solutions (including beacons and other tracking methodologies).

14.1.7 Each Period, you agree to pay us a technology fee in our then-current amount (presently, there is no technology fee, but we have the right as circumstances warrant to start requiring the payment of a technology fee (and to change the fee periodically) by giving you written notice one or more Periods before that change takes effect). You may also be charged fees by tech vendors that provide products and/or services to you, and you agree to pay those charges in the ordinary course of business.

14.2 *Data*.

14.2.1 You agree that all data relating to the Franchised Business that you collect, create, provide, or otherwise develop on your Computer System (whether or not uploaded to our system from your system and/or downloaded from your system to our system) is and will be owned exclusively by us, and that we will have the right to access, download, and use that data in any manner that we deem appropriate without compensation to you.

14.2.2 You agree that all other data that you create or collect in connection with the System, and in connection with your operation of the Franchised Business (including customer and transaction data), is and will be owned exclusively by us during the term of, and after termination or expiration of, this Agreement.

14.2.3 In order to operate your Franchised Business under this Agreement, we hereby license use of such data back to you, at no additional cost, solely for the term of this Agreement and for your use in connection with operating the Franchised Business. You agree that except for the right to use the data under this clause, you will not develop or have any ownership rights in or to the data.

14.2.4 You agree to transfer to us all data (in the digital machine-readable format that we specify, and/or printed copies, and/or originals) promptly upon our request when made, whether periodically during the term of this Agreement, upon termination and/or expiration of this Agreement, or at the time of any transfer of an interest in you and/or of the Franchised Business.

14.2.5 For the limited purpose of this Section 14.2, references to "data" exclude consumers' credit card and/or other payment information.

14.3 *Data Requirements and Usage*. We may periodically specify in the Brand Manual or otherwise in writing the information that you agree to collect and maintain on the Computer System installed at the Franchised Business, and you agree to provide to us such reports as we may reasonably request from the data so collected and maintained. In addition:

14.3.1 You agree to abide by all applicable laws pertaining to the data (including those pertaining to the collection, use, maintenance, disposition, and/or privacy of consumer, employee, vendor, and transactional information) ("**Privacy Laws**").

14.3.2 You agree to also comply with any standards and policies that we may issue (without any obligation to do so) pertaining to the collection, use, maintenance, disposition, and/or privacy of consumer, employee, vendor, and transactional information. If you become aware (and/or if you should be aware) that there is a conflict between our standards and policies and Privacy Laws, then you agree to: **(a)** comply with the requirements of the Privacy Laws; **(b)** immediately give us written notice of that conflict; and **(c)** promptly and fully cooperate with us and our counsel in determining the most effective way, if any, to meet our standards and policies pertaining to privacy within the bounds of Privacy Laws.

14.3.3 You agree to not publish, disseminate, implement, revise, or rescind a data privacy policy without our prior written consent as to such policy.

14.3.4 You agree to implement at all times appropriate physical and electronic security as is necessary to secure your Computer System, including complex passwords that you change periodically, and to comply with any standards and policies that we may issue (without obligation to do so) in this regard.

14.4 *Extranet*. You agree to comply with our requirements (as set forth in the Brand Manual or otherwise in writing) with respect to establishing and maintaining telecommunications connections between your Computer System and our Extranet and/or such other computer systems as we may reasonably require. The term "**Extranet**" means a private network based upon Internet protocols that will allow users inside and outside of our headquarters to access certain parts of our computer network via the Internet. We may establish an Extranet (but are not required to do so or to maintain an Extranet). The Extranet may include, among other things, the Brand Manual, training and other assistance materials, and management reporting solutions (both upstream and downstream, as we may direct). You agree to purchase and maintain such computer software and hardware (including telecommunications capacity) as may be required to connect to and utilize the Extranet. You agree to execute and deliver to us such documents as we may deem reasonably necessary to permit you to access the Extranet.

14.5 *No Separate Digital Sites*. Unless we have otherwise approved in writing, you agree to neither establish nor permit any other party to establish a Digital Site relating in any manner whatsoever to the Franchised Business or referring to the Proprietary Marks. We will have the

right, but not the obligation, to provide one or more references or webpage(s), as we may periodically designate, within our Digital Site. The term "**Digital Site**" means one or more related documents, designs, pages, or other communications that can be accessed through electronic means, including the Internet, World Wide Web, webpages, microsites, social media and networking sites (including Facebook, Twitter, LinkedIn, You Tube, Snapchat, Pinterest, Instagram, etc.), blogs, vlogs, podcasts, applications to be used on mobile devices (e.g., iOS or Android apps), and other applications, etc. (whether they are now in existence or developed at some point in the future). However, if we give you our prior written consent to have some form of separate Digital Site (which we are not obligated to approve), then each of the following provisions will apply:

14.5.1 You agree that you will not establish or use any Digital Site without our prior written approval.

14.5.2 Any Digital Site that you own or that is maintained by or for your benefit will be deemed "marketing" under this Agreement, and will be subject to (among other things) our right of review and prior approval under Section 13.8 above.

14.5.3 Before establishing any Digital Site, you agree to submit to us, for our prior written approval, a sample of the proposed Digital Site domain name, format, visible content (including, proposed screen shots, links, and other content), and non-visible content (including, meta tags, cookies, and other electronic tags) in the form and manner we may reasonably require.

14.5.4 You may not use or modify such Digital Site without our prior written approval as to such proposed use or modification.

14.5.5 In addition to any other applicable requirements, you agree to comply with the standards and specifications for Digital Sites that we may periodically prescribe in the Brand Manual or otherwise in writing (including requirements pertaining to designating us as the sole administrator or co-administrator of the Digital Site).

14.5.6 If we require, you agree to establish such hyperlinks to our Digital Site and others as we may request in writing.

14.5.7 If we require you to do so, you agree to make weekly or other periodic updates to the Digital Site to reflect information regarding specials and other promotions at your Franchised Business.

14.5.8 We may require you to make us the sole administrator (or co-administrator) of any social networking pages that you maintain or that are maintained on your behalf, and we will have the right (but not the obligation) to exercise all of the rights and privileges that an administrator may exercise.

14.6 *POS Systems*. You agree to record all sales on integrated computer-based point of sale systems we approve or on such other types of cash registers and other devices (such as iPads, touch screens, printers, bar code readers, card readers, cash drawers, battery back-up, etc.) that we may designate in the Brand Manual or otherwise in writing ("**POS Systems**"), which will be deemed part of your Computer System. You agree to utilize POS Systems that are fully compatible with any program, software program, and/or system which we, in our discretion, may employ (including mobile or remote device, application and payment systems), and you agree to record all Adjusted Gross Sales and all sales information on such equipment. We

may designate one or more third party suppliers or servicers to provide installation, maintenance, and/or support for the POS System, and you agree to enter into and maintain such agreements (including making such payments) as we or the third party suppliers and/or servicers require in connection with the installation, maintenance, and/or support for the POS System. The POS System is part of the Computer System. You agree to at all times maintain a continuous high-speed Ethernet-cabled (not wireless) connection to the Internet to send and receive POS data to us.

14.7 *E-Mail*. You agree not to transmit or cause any other party to transmit advertisements or solicitations by e-mail, text message, and/or other electronic method without obtaining our prior written consent as to: **(a)** the content of such electronic advertisements or solicitations; and **(b)** your plan for transmitting such advertisements. In addition to any other provision of this Agreement, you will be solely responsible for compliance with any laws pertaining to sending electronic communication including, the Controlling the Assault of Non-Solicited Pornography and Marketing Act of 2003 (known as the "CAN-SPAM Act of 2003"), the Federal Telephone Consumer Protection Act, and the Canada Anti-Spam Law (known as "CASL"). (As used in this Agreement, the term "**electronic communication**" includes all methods for sending communication electronically, whether or not currently invented or used, including e-mails, text messages, app- and/or internet-based communication, and faxes.)

14.8 *Outsourcing*. You agree not to hire third party or outside vendors to perform any services or obligations in connection with the Computer System, Required Software, and/or any other of your obligations, without our prior written approval. Our consideration of any proposed outsourcing vendors may be conditioned upon, among other things, such third party or outside vendor's entry into a confidentiality agreement with us and you in a form that we may reasonably provide and the third party or outside vendor's agreement to pay for all initial and ongoing costs related to interfaces with our computer systems. The provisions of this section are in addition to and not instead of any other provision of this Agreement. You agree not to install (and/or remove) any software or firmware from the Computer System without our prior written consent.

14.9 *Telephone Service*. You agree to use the telephone service for the Restaurant that we may require, which may be one or more centralized vendors that we designate for that purpose. You agree that we may designate, and own, the telephone numbers for your Franchised Business, and you agree to sign the forms necessary to implement this clause.

14.10 *Changes*. You agree that changes to technology are dynamic and likely to occur during the term of this Agreement. In order to provide for inevitable but unpredictable changes to technological needs and opportunities, you agree that we will have the right to establish, in writing, reasonable new standards for the implementation of technology in the System; and you agree to abide by those reasonable new standards as if this Section 14 were periodically revised by us for that purpose, and you also agree to pay vendors' charges for those new items and services.

14.11 *Electronic Communication – Including E-Mail, Texts, and other Messaging*. You agree that exchanging information with us by electronic communication methods is an important way to enable quick, effective, and efficient communication, and that we are entitled to rely upon your use of electronic communications as part of the economic bargain underlying this Agreement. To facilitate the use of electronic communication to exchange information, you authorize the transmission of those electronic communications by us and our employees, vendors, and affiliates (on matters pertaining to the business contemplated under this Agreement) (together, "**Official Senders**") to you during the term of this Agreement.

14.11.1 In order to implement the terms of this Section 14.11, you agree that: **(a)** Official Senders are authorized to send electronic communications to those of your employees as you may occasionally designate for the purpose of communicating with us and others; **(b)** you will cause your officers, directors, members, managers, and employees (as a condition of their employment or position with you) to give their consent (in an electronic communication or in a pen-and-paper writing, as we may reasonably require) to Official Senders' transmission of electronic communication to those persons, and that such persons may not opt-out, or otherwise ask to no longer receive electronic communication, from Official Senders during the time that such person works for or is affiliated with you; and **(c)** you will not opt-out, or otherwise ask to no longer receive electronic communications, from Official Senders during the term of this Agreement.

14.11.2 The consent given in this Section 14.11 will not apply to the provision of notices by either party under this Agreement using e-mail unless the parties otherwise agree in a pen-and-paper writing signed by both parties.

14.11.3 We may permit or require you to use a specific e-mail address (or address using another communications method) (for example, one that will contain a Top Level Domain Name that we designate, such as "john.smith@CountryWaffles.com or "jane.jones@CountryWafflesfranchisee.com") (the "**Permitted E-mail Address**") in connection with the operation of the Franchised Business, under the standards that we set for use of that Permitted E-mail Address. You will be required to sign the form E-Mail authorization letter that we may specify for this purpose. If we assign you a Permitted E-mail Address, then you agree that you (and your employees) will use only that e-mail account for all business associated with your Franchised Business.

15 INSURANCE

15.1 *Required Insurance Coverage*. Before starting any activities or operations under this Agreement, you agree to procure and maintain in full force and effect during the term of this Agreement (and for such period thereafter as is necessary to provide the coverages required under this Agreement for events having occurred during the Term of this Agreement), at your expense, at least the following insurance policy or policies in connection with the Franchised Business or other facilities on premises, or by reason of the construction, operation, or occupancy of the Franchised Business or other facilities on premises. Such policy or policies must be written by an insurance company or companies we have approved, having at all times a rating of at least "A-" in the most recent Key Rating Guide published by the A.M. Best Company (or another rating that we reasonably designate if A.M. Best Company no longer publishes the Key Rating Guide) and licensed and admitted to do business in the state in which the Franchised Business is located, and must include, at a minimum (however, you agree that we may reasonably specify additional coverages and higher policy limits in the Brand Manual or otherwise in writing to reflect inflation, identification of new risks, changes in the law or standards of liability, higher damage awards, and/or other relevant changes in circumstances), the following (all subject to the additional requirements of this Section 15):

15.1.1 Commercial general liability insurance (subject to the other provisions of this Section 15) on a per occurrence basis, protecting against any and all claims for personal, bodily and/or property injury occurring in or about the Restaurant and protecting against assumed or contractual liability under this Agreement with respect to the Restaurant and your operations, with such policy to have at least the following coverages:

Minimum Coverage Required:

a. Each Occurrence	$1,000,000
b. Damage to Rented Premises (Each Occurrence)	$1,000,000
c. Medical Expense (Any One Person)	$5,000
d. Personal & Advertising Injury	$1,000,000
e. General Aggregate	$2,000,000
f. Products Liability or Completed Operations Aggregate"	$2,000,000

15.1.2 Any other insurance coverage that is required by federal, state, or municipal law (subject to Section 15.2 below).

15.1.3 All coverages must be written with no coinsurance penalty.

15.2 *Additional Terms Applicable to All Policies.* In addition to the other provisions of this Section 15 (above and those below), you agree that:

15.2.1 All policies listed in Section 15.1 above (unless otherwise noted below) must contain such endorsements as we will periodically specify in the Brand Manual.

15.2.2 All policies must waive subrogation as between us (and our insurance carriers) and you (and your insurance carriers).

15.2.3 All public liability and property damage policies must: **(a)** list as additional insureds, us and any other entities in which we have an interest (as well as all other entities affiliated with us), and each of those parties' respective members, managers, shareholders, directors, officers, partners, joint venturers, employees, servants, and agents, and their successors and assigns; and **(b)** contain a provision that we, although named as an additional insured, will nevertheless be entitled to recover under said policies on any loss occasioned to us or our servants, agents, or employees by reason of the negligence of you or your servants, agents, or employees, including as additional insureds.

15.2.4 You agree to provide us with sixty (60) days' advance written notice In the event of cancellation, change, and/or non-renewal of any policy, in the manner provided in Section 24 below.

15.3 *Construction Coverages*. In connection with all significant construction, reconstruction, or remodeling of the Franchised Business during the term of this Agreement, you agree to require the general contractor, its subcontractors, and any other contractor, to effect and maintain at general contractor's and all other contractor's own expense, such insurance policies and bonds with such endorsements as are set forth in the Brand Manual, all written by insurance or bonding companies that we have approved, having a rating as set forth in Section 15.1 above.

15.4 *Other Insurance Does Not Impact your Obligation*. Your obligation to obtain and maintain the foregoing policy or policies in the amounts specified will not be limited in any way by reason of any insurance that we may maintain, nor will your performance of that obligation relieve you of liability under the indemnity provisions set forth in Section 21.4 below. Additionally, the requirements of this Section 15 will not be reduced, diminished, eroded, or otherwise affected by insurance that you carry (and/or claims made under that insurance) for other businesses, including other Restaurants that you (and/or your affiliates) operate under the System.

15.5 *Certificates of Insurance*. At least thirty (30) days before the time you are first required to carry any insurance under this Agreement, and from then on, at least thirty (30) days before the expiration of any such policy (and also on the first anniversary of the Effective Date, and on each subsequent anniversary of the Effective Date), you agree to deliver to us certificates of insurance evidencing the proper coverage with limits not less than those required under this Agreement. All certificates must expressly provide that we will receive at least thirty (30) days' prior written notice if there is a material alteration to, cancellation, or non-renewal of the coverages evidenced by such certificates. Additional certificates evidencing the insurance required by Section 15.1 above must name us, and each of our affiliates, directors, agents, and employees, as additional insured parties, and must expressly provide that any interest of same therein will not be affected by any breach by you of any policy provisions for which such certificates evidence coverage.

15.6 *Required Coverages are Minimums*. You agree that the specifications and coverage requirements in this Section 15 are minimums only, and that we recommend that you review these with your own insurance advisors to determine whether additional coverage is warranted in the operation of your Franchised Business.

15.7 *Obtaining Coverage*. If you fail to maintain or acquire insurance, we will have the right (but not the obligation) to obtain insurance coverage on your behalf, in which case we will invoice you for the insurance premiums plus our reasonable expenses, and you agree to pay those invoices within five (5) days after we send them to you.

16 TRANSFER OF INTEREST

16.1 *By Us*. We will have the right to transfer or assign this Agreement and all or any part of our rights or obligations under this Agreement to any person or legal entity, and any assignee of us, which assignee will become solely responsible for all of our obligations under this Agreement from the date of assignment.

16.2 *Your Principals*. Each party that holds any interest whatsoever in you (whether directly, indirectly, and/or beneficially) (each, a "**Principal**"), and the interest that each Principal holds in you (directly, indirectly, and/or beneficially) is identified in Exhibit C to this Agreement. You represent and warrant to us, and agree, that your owners are accurately set forth on Exhibit C to this Agreement, and you also agree not to permit the identity of those owners, and/or their respective interests in you, to change without complying with this Agreement.

16.3 *Principals*. We will have a continuing right to designate any person or entity that owns a direct or indirect interest in you as a Principal, and Exhibit C will be amended automatically upon written notice to you.

16.4 *By You*. You understand and acknowledge that the rights and duties set forth in this Agreement are personal to you, and that we have granted this franchise in reliance on your (or your Principals') business skill, financial capacity, and personal character. Accordingly:

16.4.1 You agree not to make a transfer (and not to permit any other party to make a transfer) without our prior written consent.

16.4.1.1 As used in this Agreement, the term "**transfer**" is agreed to mean any sale, assignment, conveyance, pledge, encumbrance, merger, creation of a security interest in, and/or giving away of any direct or indirect interest in: **(a)** this Agreement; **(b)** you; **(c)** any or all of your rights and/or obligations under this Agreement; and/or **(d)** all or substantially all of the assets of the Franchised Business.

16.4.1.2 Any purported assignment or transfer that does not have our prior written consent as required by this Section 16 will be null and void and will also constitute a material breach of this Agreement, for which we may immediately terminate this Agreement without opportunity to cure, pursuant to Section 17.2.5 below.

16.4.2 You agree (unless you are a partnership) that: **(a)** without our prior written approval, you will not issue any voting securities or interests, or securities or interests convertible into voting securities; and **(b)** the recipient of any such security or other interest will become a Principal under this Agreement, if we designate them as such. If you are a general partnership, limited partnership, or limited liability partnership, then the partners of that partnership will not, without our prior written consent, admit additional limited or general partners, remove a general partner, or otherwise materially alter the powers of any general partner. Each general partner in such a partnership will automatically be deemed to be a Principal.

16.4.3 Principals must not, without our prior written consent, transfer, pledge, and/or otherwise encumber their interest in you. Any such transaction shall also be deemed a "transfer" under this Agreement.

16.4.4 You also agree that in the case of any proposed transfer, you authorize us to truthfully answer questions posed to us by the proposed transferee, including providing that party with information relating to your Restaurant (such as sales reports) (although we will have the right not to provide any or all such information).

16.5 *Transfer Conditions*. We will not unreasonably withhold any consent required by Section 16.4 above; provided, that if you propose to transfer your obligations under this Agreement or any material asset, or if any party proposes to transfer any direct or indirect interest in you, then we will have the right to require that you satisfy any or all of the following conditions before we grant our approval to the proposed transfer:

16.5.1 The transferor must have executed a general release, in a form satisfactory to us, of any and all claims against us and our affiliates, successors, and assigns, and their respective officers, directors, members, managers, shareholders, partners, agents, representatives, servants, and employees in their corporate and individual capacities including, claims arising under this Agreement, any other agreement between you and us, and/or your affiliates, our affiliates, and federal, state, and local laws and rules.

16.5.2 The transferee of a Principal will be designated as a Principal and each transferee who is designated a Principal must enter into a written agreement, in a form satisfactory to us, agreeing to be bound as a Principal under the terms of this Agreement as long as such person or entity owns any interest in you; and, if your obligations were guaranteed

by the transferor, the Principal must guarantee the performance of all such obligations in writing in a form satisfactory to us.

16.5.3 The proposed new Principals (after the transfer) must meet our educational, managerial, and business standards; each must possess a good moral character, business reputation, and credit rating; have the aptitude and ability to operate the Franchised Business, as may be evidenced by prior related business experience or otherwise; and have adequate financial resources and capital to operate the Franchised Business.

16.5.4 We will have the right to require that you execute, for a term ending on the expiration date of this Agreement, the form of franchise agreement that we are then offering to new System franchisees, and such other ancillary agreements that we may require for the business franchised under this Agreement, and those agreements will supersede this Agreement and its ancillary documents in all respects, and the terms of which may differ from the terms of this Agreement including, higher Royalties and marketing fees.

16.5.5 If we request, then you must conduct Major Remodeling and purchase new equipment to conform to the then-current standards and specifications of new Restaurants then-being established in the System, and you agree to complete the upgrading and other requirements specified above in Section 8.8.2 within the time period that we specify.

16.5.6 You agree to pay in full all of your monetary obligations to us and our affiliates, and to all vendors (whether arising under this Agreement or otherwise), and you must not be otherwise in default of any of your obligations under this Agreement (including your reporting obligations).

16.5.7 The transferor must remain liable for all of the obligations to us in connection with the Franchised Business that arose before the effective date of the transfer, and any covenants that survive the termination or expiration of this Agreement, and must execute any and all instruments that we reasonably request to evidence such liability.

16.5.8 A Principal of the transferee whom we designate to be a new Operating Owner, and those of the transferee's Operating Owner, Store Manager, and Additional Trained Personnel as we may require, must successfully complete (to our satisfaction) all training programs that we require upon such terms and conditions as we may reasonably require (and while we will not charge a fee for attendance at such training programs, the transferee will be responsible for the salary and all expenses of the person(s) that attend training).

16.5.9 You agree to pay us a transfer fee to compensate us for our legal, accounting, training, and other expenses incurred in connection with the transfer. The transfer fee will be Seventeen Thousand Five-Hundred Dollars ($17,500) or fifty percent (50%) of our then-current initial franchise fee charged to new Restaurant franchisees (whichever is more). If any party has engaged a broker with respect to the transfer, you must also pay (or ensure the buyer's payment of) any applicable commission to the broker in connection with the transfer. (If we or any of our affiliates (or persons who work for us or our affiliates) were the party to introduce you to a buyer, then you agree to also pay us a fee of three percent (3%) of the total compensation paid to you in connection with the transaction.)

16.5.10 The transferor must acknowledge and agree that the transferor will remain bound by the covenants contained in Sections 19.3, 19.4, and 19.5 below.

16.6 *Right of First Refusal*. If you or any of your Principals wish to accept any *bona fide* offer from a third party to purchase you, any of your material assets, or any direct or indirect interest in you, then all of the following will apply:

16.6.1 You (or the Principal who proposes to sell his/her interest) must promptly notify us in writing of the offer and provide to us the information and documentation relating to the offer that we may require. We will have the right and option, exercisable within thirty (30) days after we have received all such information that we have requested, to send written notice to the seller that we intend to purchase the seller's interest on the same economic terms and conditions offered by the third party. After exercising our right, we will also have the right to conduct additional reasonable due diligence and to require the seller to enter into a purchase agreement in a form mutually acceptable to us and to the seller. If we elect to purchase the seller's interest, then the closing on such purchase will occur within thirty (30) days from the date of notice to the seller of the election to purchase by us.

16.6.2 Any material change in the terms of the offer before closing will constitute a new offer subject to our same rights of first refusal (as set forth in this Section 16.6) as in the case of the third party's initial offer. If we do not exercise the option afforded by this Section 16.6 that will not constitute a waiver of any other provision of this Agreement, including all of the requirements of this Section 16, with respect to a proposed transfer.

16.6.3 If the consideration, terms, and/or conditions offered by a third party are such that we may not reasonably be required to furnish the same consideration, terms, and/or conditions, then we may purchase the interest proposed to be sold for the reasonable equivalent in cash. If the parties cannot agree within a reasonable time on the reasonable equivalent in cash of the consideration, terms, and/or conditions offered by the third party, they must attempt to appoint a mutually-acceptable independent appraiser to make a binding determination. If the parties are unable to agree upon one independent appraiser, then we will promptly designate an independent appraiser and you will promptly designate another independent appraiser and those two appraisers will, in turn, promptly designate a third appraiser; and all three appraisers will promptly confer and reach a single determination (or, if unable to reach a single determination, a valuation determined by a majority vote of those appraisers), which determination will be binding upon both you and us. Both parties will equally share the cost of any such appraisal.

16.6.4 If we exercise our rights under this Section 16.6, then we will have the right to set off all amounts due from you (including one-half (½) of the cost of an appraisal, if any, conducted under Section 16.6.3 above) against any payment to you.

16.7 *Death or Incapacity*. If you or any Principal dies, becomes incapacitated, or enters bankruptcy proceedings, that person's executor, administrator, personal representative, or trustee must promptly notify us of the circumstances, and apply to us in writing within six (6) months after the event (death, declaration of incapacity, or filing of a bankruptcy petition) for consent to transfer the person's interest. The transfer will be subject to the provisions of this Section 16, as applicable; however, we will not impose a transfer fee for such a transfer if you reimburse us for our reasonable out-of-pocket expenses incurred in reviewing, approving, and documenting your proposed transaction, including our attorneys' fees.

16.7.1 In addition, if the deceased or incapacitated person is the Operating Owner, we will have the right (but not the obligation) to take over operation of the Franchised Business until the transfer is completed and to charge a reasonable management fee for our services.

16.7.2 For purposes of this section, "**incapacity**" means any physical or mental infirmity that will prevent the person from performing his or her obligations under this Agreement: **(a)** for a period of thirty (30) or more consecutive days; or **(b)** for sixty (60) or more total days during a calendar year. In the case of transfer by bequest or by intestate succession, if the heirs or beneficiaries are unable to meet the conditions of Section 16.3, the executor may transfer the decedent's interest to another successor that we have approved, subject to all of the terms and conditions for transfers contained in this Agreement.

16.7.3 If an interest is not disposed of under this section within six (6) months after the date of death or appointment of a personal representative or trustee, we may terminate this Agreement under Section 17.2 below.

16.8 *Consent to Transfer*. Our consent to a transfer that is the subject of this Section 16 will not constitute a waiver of any claims that we may have against the transferring party, nor will it be deemed a waiver of our right to demand exact compliance with any of the terms of this Agreement by the transferor or transferee.

16.9 *No Transfers to a Non-Franchisee Party to Operate a Similar Restaurant*. You agree that neither you nor any Principal of yours will transfer or attempt to transfer any or all of your Franchised Business to a third party who will operate a similar business at the Accepted Location but not under the System and the Proprietary Marks, and not under a franchise agreement with us.

16.10 *Bankruptcy Issues*. If you or any person holding any interest (direct or indirect) in you become a debtor in a proceeding under the U.S. Bankruptcy Code or any similar law in the U.S. or elsewhere, it is the parties' understanding and agreement that any transfer of you, your obligations, and/or rights under this Agreement, any material assets of yours, and/or any indirect or direct interest in you will be subject to all of the terms of this Section 16, including the terms of Sections 16.4, 16.5, and 16.6 above.

16.11 *Securities Offers*. All materials for an offering of stock, ownership, and/or partnership interests in you or any of your affiliates that are required by federal or state law must be submitted to us for review as described below before such materials are filed with any government agency. Any materials to be used in any exempt offering must be submitted to us for such review before their use.

16.11.1 You agree that: **(a)** no offering by you or any of your affiliates may imply (by use of the Proprietary Marks or otherwise) that we are participating in an underwriting, issuance, or offering of your securities or your affiliates; **(b)** our review of any offering will be limited solely to the relationship between you and us (and, if applicable, any of your affiliates and us); and **(c)** we will have the right, but not obligation, to require that the offering materials contain a written statement that we require concerning the limitations stated above.

16.11.2 You (and the offeror if you are not the offering party), your Principals, and all other participants in the offering must fully indemnify us and all of the Franchisor Parties (as defined in Section 21.5.2 below) in connection with the offering.

16.11.3 For each proposed offering, you agree to pay us a non-refundable fee of Five Thousand Dollars ($5,000) or such greater amount as is necessary to reimburse us for our reasonable costs and expenses (including legal and accounting fees) for reviewing, documenting, and discussing the proposed offering with you and your representatives.

16.11.4 You agree to give us written notice at least thirty (30) days before starting any offering or other transaction described in this Section 16.11. Any such offering will be subject to all of the other provisions of this Section 16, including the terms set forth in Sections 16.4, 16.5, 16.6; and further, without limiting the foregoing, it is agreed that any such offering will be subject to our approval as to the structure and voting control of the offeror (and you, if you are not the offeror) after the financing is completed.

16.11.5 You also agree that after your initial offering, described above, for the remainder of the term of the Agreement, you will submit to us for our review and prior written approval all additional securities documents (including periodic reports, such as quarterly, annual, and special reports) that you prepare and file (or use) in connection with any such offering. You agree to reimburse us for our reasonable costs and expenses (including legal and accounting fees) that we incur in connection with our review of those materials.

17 DEFAULT AND TERMINATION

17.1 *Automatic with no notice and no opportunity to cure*. If any one or more of the following events take place, then you will be deemed to be in default under this Agreement, and all rights granted in this Agreement will automatically terminate without notice to you: **(a)** if you will become insolvent or make a general assignment for the benefit of creditors; **(b)** if a bill in equity or other proceeding for the appointment of a receiver for you or another custodian for your business or assets is filed and consented to by you; **(c)** if a receiver or other custodian (permanent or temporary) of your assets or property, or any part thereof, is appointed by any court of competent jurisdiction; **(d)** if proceedings for a composition with creditors under any state or federal law is instituted by or against you; **(e)** if a material final judgment against you remains unsatisfied or of record for thirty (30) days or longer (unless appealed or a supersedeas bond is filed); **(f)** if you are dissolved; or if execution is levied against your business or property; **(g)** if suit to foreclose any lien or mortgage against the Franchised Business premises or equipment is instituted against you and not dismissed within thirty (30) days; and/or **(h)** if the real or personal property of your Franchised Business will be sold after levy thereupon by any sheriff, marshal, or constable.

17.2 *With Notice and no opportunity to cure.* If any one or more of the following events occur, then you will be in default under this Agreement, and we will have the right to terminate this Agreement and all rights granted under this Agreement, without affording you any opportunity to cure the default, effective immediately upon the delivery of our written notice to you (in the manner provided in Section 24 below):

17.2.1 If you do not obtain an Accepted Location for the Franchised Business within the time limits specified under the Site Selection Addendum, or if you do not construct and open

the Franchised Business within the time limits specified in Sections 5.1 and 8.2 above (and within the requirements specified in Sections 5 and 8.2 above);

17.2.2 If at any time: **(a)** you cease to operate or otherwise abandon the Franchised Business for two (2) or more consecutive business days and/or two (2) or more business days within any week (during which you are otherwise required to be open, and without our prior written consent otherwise, unless necessary due to an event of force majeure as defined in Section 22 below); **(b)** you lose the right to possession of the premises; **(c)** forfeit the right to do or transact business in the jurisdiction where the Franchised Business is located (however, if through no fault of yours, the premises are damaged or destroyed by an event such that you cannot complete repairs or reconstruction within ninety (90) days thereafter, then you will have thirty (30) days after such event in which to apply for our approval to relocate and/or reconstruct the premises, which approval we will not unreasonably withhold, subject to Section 1.2.3 above);

17.2.3 If you or any of your Principals are charged with and/or convicted of a felony, a crime involving moral turpitude, or any other crime or offense that we believe is reasonably likely to have an adverse effect on the System, the Proprietary Marks, the goodwill associated therewith, or our interest therein;

17.2.4 If a threat or danger to public health or safety results from the construction, maintenance, or operation of the Franchised Business and/or if you fail to comply with the requirements of Section 8.16 above;

17.2.5 If you or any of your Principals purport to transfer any rights or obligations under this Agreement or any interest to any third party in a manner that is contrary to the terms of Section 16 above;

17.2.6 If you fail to comply with the requirements of Section 19 below;

17.2.7 If, contrary to the terms of Sections 10 or 11 above, you disclose or divulge the contents of the Brand Manual or other confidential information that we provide to you;

17.2.8 If an approved transfer of an interest in you is not completed within a reasonable time, as required by Section 16.7 above;

17.2.9 If you maintain false books or records, or submit any false reports (including information provided as part of your application for this franchise) to us;

17.2.10 If you commit three (3) or more defaults under this Agreement in any fifty-two (52) week period, whether or not each such default has been cured after notice;

17.2.11 If, after receipt of notice from us of a violation of the provisions of Sections 7.1 and/or 8.4 above, you continue to purchase any Input Items from an unapproved supplier, or if you sell anything from the Restaurant that is not a Retail Product or a Service;

17.2.12 If you engage in any conduct or practice that is fraudulent, unfair, unethical, or a deceptive practice; and/or

17.2.13 If you make any unauthorized or improper use of the Proprietary Marks, or if you or any of your Principals use the Proprietary Marks in a manner that we do not permit (whether under this Agreement and/or otherwise) or that is inconsistent with our

direction, or if you or any of your Principals directly or indirectly contest the validity of our ownership of the Proprietary Marks, our right to use and to license others to use the Proprietary Marks, or seek to (or actually do) register any of our Proprietary Marks with any agency (public or private) for any purpose without our prior written consent to do so.

17.3 *With Notice and Opportunity to Cure*.

17.3.1 Except as otherwise provided above in Sections 17.1 and 17.2 above, if you are in default of your obligations under this Agreement, then we may terminate this Agreement by giving you written notice of termination (in the manner provided under Section 24 below) stating the nature of the default at least thirty (30) days before the effective date of termination; provided, however, that you may avoid termination by: **(a)** immediately initiating a remedy to cure such default; **(b)** curing the default to our satisfaction; and **(c)** promptly providing proof of the cure to us, all within the thirty (30) day period. If you do not cure any such default within the specified time (or such longer period as applicable law may require), then this Agreement will terminate without further notice to you effective immediately upon the expiration of the thirty (30) day period (or such longer period as applicable law may require).

17.3.2 If you are in default under the terms of any other franchise agreement or other contract between you (and/or your affiliates) and us (and/or our affiliates), that will also constitute a default under Section 17.3.1 above.

17.4 *Bankruptcy*. If, for any reason, this Agreement is not terminated pursuant to this Section 17, and this Agreement is assumed, or assignment of same to any person or entity who has made a *bona fide* offer to accept an assignment of this Agreement is contemplated, pursuant to the U.S. Bankruptcy Code, then notice of such proposed assignment or assumption, setting forth: **(a)** the name and address of the proposed assignee; and **(b)** all of the terms and conditions of the proposed assignment and assumption; must be given to us within twenty (20) days after receipt of such proposed assignee's offer to accept assignment or assumption of the Agreement; and, in any event, within ten (10) days before the date application is made to a court of competent jurisdiction for authority and approval to enter into such assignment and assumption. We will then have the prior right and option, to be exercised by notice given at any time before the effective date of such proposed assignment and assumption, to accept an assignment of the Agreement to us upon the same terms and conditions, and for the same consideration, if any, as in the *bona fide* offer made by the proposed assignee, less any brokerage commissions that may be payable by you out of the consideration to be paid by such assignee for the assignment or assumption of this Agreement.

17.5 *Our Rights Instead of Termination*. If we are entitled to terminate this Agreement in accordance with Sections 17.2 or 17.3 above, we will also have the right to take any lesser action instead of terminating this Agreement.

17.6 *Reservation of Rights under Section 17.5*. If any rights, options, arrangements, or areas are terminated or modified in accordance with Section 17.5 above, such action will be without prejudice to our right to terminate this Agreement in accordance with Sections 17.2 or 17.3 above, and/or to terminate any other rights, options or arrangements under this Agreement at any time thereafter for the same default or as a result of any additional defaults of the terms of this Agreement.

17.7 *Damages*. You agree that you will pay us all damages, costs, and expenses (including reasonable attorneys' fees, court costs, discovery costs, and all other related expenses), that we incur as a result of any default by you under this Agreement and any other agreement between the parties (and their respective affiliates) (in addition to other remedies that we may have).

18 OBLIGATIONS UPON TERMINATION OR EXPIRATION

Upon termination or expiration of this Agreement, all rights granted under this Agreement to you will forthwith terminate, and all of the following will take effect (except to the extent otherwise permitted under a separate valid franchise agreement between you and/or one of your affiliates and us):

18.1 *Cease Operation*. You agree to: **(a)** immediately and permanently stop operating the Franchised Business; and **(b)** never directly or indirectly represent to the public that you are a present or former franchisee of ours.

18.2 *Stop Using Marks and Intellectual Property*. You agree to immediately and permanently cease to use, in any manner whatsoever, all aspects of the System, including any confidential methods, procedures and techniques associated with the System, the marks "Country Waffles Breakfast & Lunch" and "Country Waffles Breakfast & Lunch" and any and all other current and former Proprietary Marks, distinctive forms, slogans, signs, symbols, and devices associated with the System, and any and all other intellectual property associated with the System. Without limiting the foregoing, you agree to stop making any further use of any and all signs, marketing materials, displays, stationery, forms, and any other articles that display the Proprietary Marks.

18.3 *Cancel Assumed Names*. You agree to take such action as may be necessary to cancel any assumed name or equivalent registration which contains the marks "Country Waffles Breakfast & Lunch" and "Country Waffles Breakfast & Lunch" and any and all other Proprietary Marks, and/or any other service mark or trademark of ours, and you will give us evidence that we deem satisfactory to provide that you have complied with this obligation within five (5) days after termination or expiration of this Agreement.

18.4 *Premises*. We will have the right (but not the obligation) to require you to assign to us any interest that you (and/or your affiliates) may have in the lease or sublease for the ground upon which the Restaurant is operated and/or for the building in which the Restaurant is operated.

18.4.1 If we do not elect or if we are unable to exercise any option we may have to acquire the lease or sublease for the premises of the Franchised Business, or otherwise acquire the right to occupy the premises, you will make such modifications or alterations to the premises operated under this Agreement (including, the changing of the telephone number) immediately upon termination or expiration of this Agreement as may be necessary to distinguish the appearance of said premises from that of other Restaurants, and must make such specific additional changes thereto as we may reasonably request for that purpose. In addition, you will cease use of all telephone numbers and any domain names, websites, e-mail addresses, and any other print and online identifiers, whether or not authorized by us, that you have while operating the Franchised Business, and must promptly execute such documents or take such steps necessary to remove reference to the Franchised Business from all trade or business directories, including online directories, or at our request transfer same to us.

18.4.2 If you fail or refuse to comply with all of the requirements of this Section 18.4, then we (or our designee) will have the right to enter upon the premises of the Franchised Business, without being guilty of trespass or any other tort, for the purpose of making or causing to be made such changes as may be required, at your cost, which expense you agree to pay upon demand.

18.5 *Our Option to Buy Your Assets*. We will have the right (but not the obligation), which we may exercise at any time within thirty (30) days after expiration, termination, or default under this Agreement and/or default under your lease/sublease for the premises, to buy from you (and/or your affiliates) any or all of your furnishings, equipment, signs, fixtures, supplies, or inventory related to the operation of the Franchised Business, at the lesser of your cost or fair market value. The parties agree that "fair market value" will be determined based upon a five (5) year straight-line depreciation of original costs. For equipment and fixtures that are five (5) or more years old, the parties agree that fair market value is deemed to be ten percent (10%) of the equipment's original cost. If we elect to exercise any option to purchase provided in this Section, we will have the right to set off all amounts due from you.

18.6 *No Use of the Marks in Other Businesses*. You agree, if you continue to operate or subsequently begin to operate any other business, that you will not use any reproduction, counterfeit copy, and/or colorable imitation of the Proprietary Marks, either in connection with such other business or the promotion thereof, which is likely to cause confusion, mistake, or deception, or which is likely to dilute our rights in and to the Proprietary Marks. You further agree not to use, in any manner whatsoever, any designation of origin, description, trademark, service mark, or representation that suggests or implies a past or present association or connection with us, the System, the equipment, and/or the Proprietary Marks.

18.7 *Pay All Sums Due*. You agree to promptly pay all sums owing to us and our affiliates (regardless of whether those obligations arise under this Agreement or otherwise). In the event of termination for any of your defaults, those sums will include all damages, costs, and expenses (including reasonable attorneys' fees, court costs, discovery costs, and all other related expenses), that we incur as a result of the default.

18.8 *Pay Damages*. You agree to pay us all damages, costs, and expenses (including reasonable attorneys' fees, court costs, discovery costs, and all other related expenses) that we incur as a result of your default under this Agreement and/or subsequent to the termination or expiration of this Agreement in obtaining injunctive or other relief for the enforcement of any provisions of this Section 18, which will be in addition to amounts due to us under Section 18.11 below.

18.9 *Return Confidential Information*. You agree to immediately return to us the Brand Manual and all other manuals, records, and instructions containing confidential information (including, any copies of some or all of those items, even if such copies were made in violation of this Agreement), all of which are acknowledged to be our property.

18.10 *Right to Enter and Continue Operations*. In order to preserve the goodwill of the System following termination, we (or our designee) will have the right to enter the Franchised Business (without liability to you, your Principals, or otherwise) for the purpose of continuing the Franchised Business's operation and maintaining the goodwill of the business.

18.11 *Our Rights.* You agree not to do anything that would potentially interfere with or impede the exercise of our rights under this Section 18.

18.12 *Offsets*. We have the right to offset amounts that you owe to us against any payment that we may be required to make under this Agreement.

19 COVENANTS

19.1 *Full Time Efforts*. You agree that during the term of this Agreement, except as we have otherwise approved in writing, you (or the Operating Owner) will devote full time, energy, and best efforts to the management and operation of the Franchised Business.

19.2 *Understandings*.

19.2.1 You agree that: **(a)** pursuant to this Agreement, you will have access to valuable trade secrets, specialized training and Confidential Information from us and our affiliates regarding the development, operation, management, purchasing, sales and marketing methods and techniques of the System; **(b)** the System and the opportunities, associations and experience we have established and that you will have access to under this Agreement are of substantial and material value; **(c)** in developing the System, we and our affiliates have made and continue to make substantial investments of time, technical and commercial research, and money; **(d)** we would be unable to adequately protect the System and its trade secrets and Confidential Information against unauthorized use or disclosure and would be unable to adequately encourage a free exchange of ideas and information among franchisees in our System if franchisees were permitted to hold interests in Competitive Businesses (as defined below); and **(e)** restrictions on your right to hold interests in, or perform services for, Competitive Businesses will not unreasonably or unnecessarily hinder your activities.

19.2.2 As used in this Section 19, the term "**Competitive Business**" is agreed to mean any foodservice business that specializes in serving breakfast and lunch.

19.3 *Covenant Not to Compete or Engage in Injurious Conduct.* Accordingly, you covenant and agree that, during the term of this Agreement and for a continuous period of two (2) years after the expiration or termination of this Agreement, and/or a transfer as contemplated in Section 16 above, you will not directly, indirectly, for yourself, or through, on behalf of, or in conjunction with any party, in any manner whatsoever, do any of the following:

19.3.1 Divert or attempt to divert any actual or potential business or customer of any Restaurant to any competitor or otherwise take any action injurious or prejudicial to the goodwill associated with the Marks and the System.

19.3.2 Own, maintain, develop, operate, engage in, assist, franchise or license, make loans to, lease real or personal property to, and/or have any whatsoever interest in, or render services or give advice to, any Competitive Business.

19.4 *Where Restrictions Apply*. During the term of this Agreement, there is no geographical limitation on the restrictions set forth in Section 19.3 above. During the two-year period following the expiration or earlier termination of this Agreement, or a transfer as contemplated under Section 16 above, these restrictions will apply only (**a**) within five (5) miles of the Accepted Location; and (**b**) within five (5) miles of any then-existing or planned Restaurant business that is then-currently operated or planned elsewhere. These restrictions will not apply to businesses that you operate that we (or our affiliates) have franchised to you (or your affiliates) pursuant to a valid franchise agreement with us or one of our affiliates.

19.5 *Post-Term*. You further covenant and agree that, for a continuous period of two (2) years after **(a)** the expiration of this Agreement, **(b)** the termination of this Agreement, and/or **(c)** a transfer as contemplated in Section 16 above:

19.5.1 You will not directly or indirectly, for yourself, or through, on behalf of, or in conjunction with any person, firm, partnership, corporation, or other entity, sell, assign, lease, and/or transfer the Accepted Location to any person, firm, partnership, corporation, or other entity that you know, or have reason to know, intends to operate a Competitive Business at the Accepted Location; and

19.5.2 You also agree that, by the terms of any conveyance, selling, assigning, leasing or transferring your interest in the Accepted Location, you shall include these restrictive covenants as necessary to ensure that a Competitive Business that would violate this Section is not operated at the Accepted Location for this two-year period, and you will take all steps necessary to ensure that these restrictive covenants become a matter of public record.

19.6 *Non-Compliance*. Any time during which you do not comply with the requirements of this Section 19, whether such non-compliance takes place after termination, expiration, and/or a transfer, will not be credited toward satisfying the two-year obligation specified above.

19.7 *Publicly-Held Entities*. Section 19.3.3 above will not apply to your ownership of less than five percent (5%) beneficial interest in the outstanding equity securities of any publicly-held corporation. As used in this Agreement, the term "**publicly-held corporation**" will be deemed to refer to a corporation which has securities that have been registered under the Securities Exchange Act of 1934.

19.8 *Personal Covenants*. You agree to require and obtain execution of covenants similar to those set forth in Sections 9.3, 11, 16, 18 above, and this Section 19 (as modified to apply to an individual), from your Operating Owner, Store Manager, and Additional Trained Personnel and other managerial and/or executive staff, as well as your Principals. The covenants required by this section must be in the form provided in Exhibit F to this Agreement. If you do not obtain execution of the covenants required by this section and deliver to us those signed covenants, that failure will constitute a default under Section 17.2.6 above.

19.9 *Construction*. The parties agree that each of the foregoing covenants will be construed as independent of any other covenant or provision of this Agreement. We have the right to reduce the scope of any part of this Section 19 and, if we do so, you agree to comply with the obligations as we have reduced them.

19.10 *Claims Not a Defense*. You agree that the existence of any claims you may have against us, whether or not arising from this Agreement, will not constitute a defense to our enforcement of the covenants in this Section 19. You agree to pay all costs and expenses (including reasonable attorneys' fees, court costs, discovery costs, and all other related expenses) that we incur in connection with the enforcement of this Section 19.

19.11 *Covenant as to Anti-Terrorism Laws*. You and the owners of your business ("**Owners**") agree to comply with and/or to assist us to the fullest extent possible in our efforts to comply with Anti-Terrorism Laws (as defined below). In connection with such compliance, you and the Owners certify, represent, and warrant that none of their respective property or interests are "blocked" under any of the Anti-Terrorism Laws and that neither you nor any of the Owners are in violation of any of the Anti-Terrorism Laws. You also agree not to knowingly hire or do

business with (or continue to employ or do business with) any party who is blocked under any of the Anti-Terrorism Laws. The term "**Anti-Terrorism Laws**" means Executive Order 13224 issued by the President of the United States, as supplemented, the USA PATRIOT Act, and all other laws and regulations addressing or relating to terrorist acts and/or acts of war.

19.12 *Defaults*. You agree that if you violate this Section 19, that will result in irreparable injury to us for which no adequate remedy at law may be available, and accordingly, you consent to the issuance of an injunction prohibiting any conduct in violation of the terms of this Section 19.

20 TAXES, PERMITS, AND INDEBTEDNESS

20.1 *Payment of Taxes*. You agree to promptly pay when due all taxes levied or assessed, including, unemployment and sales taxes, and all accounts and other indebtedness of every kind that you incur in the conduct of the business franchised under this Agreement. You agree to pay us an amount equal to any sales tax, gross receipts tax, or similar tax imposed on us with respect to any payments that you make to us as required under this Agreement, unless the tax is credited against income tax that we otherwise pay to a state or federal authority.

20.2 *Payment of Trade Creditors*. You agree to promptly pay when due all trade creditors and vendors (including any that are affiliated with us) that supply goods or services to you and/or the Franchised Business.

20.3 *Your Right to Contest Liabilities*. If there is a bona fide dispute as to your liability for taxes assessed or other indebtedness, you may contest the validity or the amount of the tax or indebtedness in accordance with procedures of the taxing authority or applicable law; however, in no event will you permit a tax sale or seizure by levy of execution or similar writ or warrant, or attachment by a creditor, to occur against the premises of the Franchised Business, or any improvements thereon.

20.4 *Compliance with Law*. You agree to comply with all Operating Codes and to timely obtain any and all permits, certificates, or licenses necessary for the full and proper conduct of the Franchised Business, including, licenses to do business, health certificates, fictitious name registrations, sales tax permits, and fire clearances. To the extent that the requirements of any Operating Codes are in conflict with the terms of this Agreement, the Brand Manual, or our other instructions, you agree to: **(a)** comply with said laws; **(b)** immediately provide us with written notice describing the nature of the conflict; and **(c)** cooperate with us and our counsel in developing a way to comply with the terms of this Agreement, as well as applicable law, to the extent that it is possible to do so.

20.5 *Notice of Violations and Actions*. You agree to notify us in writing within two (2) days after you receive notice of any health or safety violation, the commencement of any action, suit, or proceeding, and of the issuance of any order, writ, injunction, award, or decree of any court, agency, or other governmental instrumentality, or within two (2) days occurrence of any accident or injury which may adversely affect the operation of the Franchised Business or your financial condition, or give rise to liability or a claim against either party to this Agreement.

21 INDEPENDENT CONTRACTOR AND INDEMNIFICATION

21.1 *Independent Contractor Relationship.* The parties agree that:

21.1.1 this Agreement does not create a fiduciary relationship between them;

21.1.2 you are the only party that will be in day-to-day control of your franchised business, even though we will share the brand and Proprietary Marks as specified in this Agreement, and neither this Agreement nor any of the systems, guidance, computer programs, processes, or requirements under which you operate alter that basic fact;

21.1.3 nothing in this Agreement and nothing in our course of conduct is intended to make either party an agent, legal representative, subsidiary, joint venturer, partner, employee, or servant of the other for any purpose whatsoever; and

21.1.4 neither this Agreement nor our course of conduct is intended, nor may anything in this Agreement (nor our course of conduct) be construed, to state or imply that we are the employer of your employees and/or independent contractors, nor vice versa.

21.2 *Notice of Status*. At all times during the term of this Agreement and any extensions hereof, you will hold yourself out as an independent contractor operating the business pursuant to a franchise from us both to the public and also to your staff. You agree to take such action as may be necessary to do so, including exhibiting a notice of that fact in conspicuous places at the Accepted Location, the content and placement of which we reserve the right to specify in the Brand Manual or otherwise.

21.3 *No Contracts in our Name*. It is understood and agreed that nothing in this Agreement authorizes you to make any contract, agreement, warranty, or representation on our behalf, or to incur any debt or other obligation in our name; and that we will in no event assume liability for, or be deemed liable under this Agreement as a result of, any such action; nor will we be liable by reason of any act or omission in your conduct of the Franchised Business or for any claim or judgment arising therefrom against either party to this Agreement.

21.4 *Indemnification*.

21.4.1 You agree to indemnify and hold each of the Franchisor Parties harmless against any and all Expenses arising directly or indirectly from any Claim, as well as from any claimed breach by you of this Agreement. Your indemnity obligations shall: **(a)** survive the expiration or termination of this Agreement, and shall not be affected by any insurance coverage that you and/or any Franchisor Party may maintain; and **(b)** exclude any Claim and/or Expense that a court with competent jurisdiction determines was caused solely by a Franchisor Party's gross negligence and/or willful misconduct.

21.4.2 *Procedure*. We will give you notice of any Claim and/or Expense for which the Franchisor Parties intend to seek indemnification; however, if we do not give that notice, it will not relieve you of any obligation (except to the extent of any actual prejudice to you). You will have the opportunity to assume the defense of the Claim, at your expense and through legal counsel reasonably acceptable to us, provided that in our judgment, you proceed in good faith, expeditiously, and diligently, and that the defense you undertake does not jeopardize any defenses of the Franchisor Parties. We shall have the right: **(a)** to participate in any defense that you undertake with

counsel of our own choosing, at our expense; and **(b)** to undertake, direct, and control the defense and settlement of the Claim (at your expense) if in our sole judgment you fail to properly and competently assume defense of the Claim within a reasonable time and/or if, in our sole judgment, there would be a conflict of interest between your interest and that of any Franchisor Party.

21.4.3 *Definitions*. As used in this Section 21.4, the parties agree that the following terms will have the following meanings:

21.4.3.1 "**Claim**" means any allegation, cause of action, and or complaint asserted by a third party that is the result of, or in connection with, your exercise of your rights and/or carrying out of your obligations under this Agreement (including any claim associated with your operation of the Restaurant, sale of Products or Services, events occurring at the Restaurant, data theft or other data-related event, or otherwise, whether asserted by a customer, vendor, employee, or otherwise), a violation of the Operating Codes, and/or any default by you under this Agreement (including all claims, demands, causes of action, suits, damages, settlement costs, liabilities, fines, penalties, assessments, judgments, losses, and Expenses). For the sake of clarity, the parties confirm that the indemnification obligations under Sections 9.2.9.2(b) and 16.11.2 are included within this definition of a Claim.

21.4.3.2 "**Expenses**" includes interest charges; fees for accountants, attorneys and their staff, arbitrators, and expert witnesses; costs of investigation and proof of facts; court costs; travel and living expenses; and other costs and expenses associated with litigation, investigative hearings, or alternative dispute resolution, whether or not a proceeding is formally commenced.

21.4.3.3 "**Franchisor Parties**" means us and our shareholders, parents, subsidiaries, and affiliates, and their respective officers, directors, members, managers, agents, and employees.

21.4.4 We agree to indemnify you with respect to your use of the Proprietary Marks as provided in Section 9.2.9.2(a) above.

22 FORCE MAJEURE

22.1 *Impact*. Neither party will be responsible to the other for non-performance or delay in performance occasioned by causes reasonably beyond its control (except as otherwise provided in Section 22.1), including: **(a)** acts of nature; **(b)** acts of war, terrorism, or insurrection; **(c)** strikes, lockouts, labor actions, boycotts, floods, fires, hurricanes, tornadoes, environmental emergencies, public health emergencies, epidemics, pandemics, and/or other casualties; and/or **(d)** our inability (and that of our affiliates and/or suppliers) to manufacture, purchase, and/or cause delivery of any services or products used in the operation of the Franchised Business.

22.2 *Transmittal of Funds*. The inability of either party to obtain and/or remit funds will be considered within control of such party for the purpose of Section 22.1 above. If any such delay occurs, any applicable time period will be automatically extended for a period equal to the time lost; provided, however, that the party affected makes reasonable efforts to correct the reason for such delay and gives to the other party prompt notice of any such delay; and further provided,

however, that you will remain obligated to promptly pay all fees owing and due to us under this Agreement, without any such delay or extension.

23 APPROVALS AND WAIVERS

23.1 *Request for Approval*. Whenever this Agreement requires our prior approval or consent, you agree to make a timely written request to us therefor, and such approval or consent must be obtained in writing.

23.2 *No Warranties or Guarantees*. You agree that we make no warranties or guarantees upon which you may rely, and that we assume no liability or obligation to you, by providing any waiver, approval, consent, or suggestion to you in connection with this Agreement, or by reason of any neglect, delay, or denial of any request therefor.

23.3 *No Waivers*. No delay, waiver, omission, or forbearance on our part to exercise any right, option, duty, or power arising out of any breach or default by you or any other franchisee under any of the terms, provisions, covenants, or conditions of this Agreement, and no custom or practice by the parties at variance with the terms of this Agreement, will constitute our waiver of our right to enforce any such right, option, duty, or power as against you, or as to subsequent breach or default by you. If we accept late payments from you or any payments due, that will not be deemed to be our waiver of any earlier or later breach by you of any terms, provisions, covenants, or conditions of this Agreement. No course of dealings or course of conduct will be effective to amend the terms of this Agreement.

24 NOTICES

24.1 Any and all notices required or permitted under this Agreement must be in writing and must be personally delivered, sent by certified U.S. mail, or by other means that provides the sender with evidence of delivery, rejected delivery, and/or attempted delivery. Any notice by a means that gives the sender evidence of delivery, rejected delivery, or delivery that is not possible because the recipient moved and left no forwarding address will be deemed to have been given at the date and time of receipt, rejected, and/or attempted delivery.

24.2 Notices shall be sent to the address designated on the signature page of this Agreement (unless a party changes its address for those notices by giving prior written notice to the other party in the manner specified above). If the parties have designated a specific e-mail address, then notices sent to that e-mail address (which may be changed as noted above) will be considered as having been sent at the time they are delivered into that e-mail address.

24.3 The Brand Manual, any changes that we make to the Brand Manual, and/or any other written instructions that we provide relating to operational matters, are not considered to be “notices” for the purpose of the delivery requirements in this Section 24.

25 ENTIRE AGREEMENT AND AMENDMENT

25.1 *Entire Agreement*. This Agreement and the exhibits referred to in this Agreement constitute the entire, full, and complete Agreement between the parties to this Agreement concerning the subject matter hereof, and supersede all prior agreements, communications, and representations. The parties confirm that: **(a)** they were not induced by any representations other than the words of this Agreement (and the FDD) before deciding whether to sign this Agreement; and **(b)** they relied only on the words printed in this Agreement in deciding whether to enter into this Agreement. However, nothing in this Agreement or any other document is

meant to (or shall have the effect of) disclaiming any representation that we made in our Franchise Disclosure Document ("**FDD**") (including its exhibits).

25.2 *Amendment*. Except for those changes that we are permitted to make unilaterally under this Agreement, no amendment, change, or variance from this Agreement will be binding on either party unless mutually agreed to by the parties and executed by their authorized officers or agents in writing.

26 SEVERABILITY AND CONSTRUCTION

26.1 *Introductory Paragraphs*. The parties agree that the introductory paragraphs of this Agreement, under the heading "Introduction," are accurate, and the parties agree to incorporate those paragraphs into the text of this Agreement as if they were printed here in full.

26.2 *Severability*. Except as expressly provided to the contrary herein, each portion, section, part, term, and/or provision of this Agreement will be considered severable; and if, for any reason, any portion, section, part, term, and/or provision in this Agreement is determined to be invalid and contrary to, or in conflict with, any existing or future law or regulation by a court or agency having valid jurisdiction, such will not impair the operation of, or have any other effect upon, such other portions, sections, parts, terms, and/or provisions of this Agreement as may remain otherwise intelligible; and the latter will continue to be given full force and effect and bind the parties hereto; and said invalid portions, sections, parts, terms, and/or provisions will be deemed not to be a part of this Agreement.

26.3 *No Third Party Rights*. Except as expressly provided to the contrary herein, nothing in this Agreement is intended, nor will be deemed, to confer upon any person or legal entity other than you, we, and such of our respective successors and assigns as may be contemplated (and, as to you, permitted) by Section 16.4 above, any rights or remedies under or by reason of this Agreement.

26.4 *Captions Don't Amend Terms*. All captions in this Agreement are intended solely for the convenience of the parties, and no caption will be deemed to affect the meaning or construction of any provision hereof.

26.5 *Including*. The parties agree that when used in this Agreement, the terms "include", "includes", and "including" shall be understood to mean "*including but not limited to*".

26.6 *Survival*. All provisions of this Agreement which, by their terms or intent, are designed to survive the expiration or termination of this Agreement, will so survive the expiration and/or termination of this Agreement.

26.7 *Expenses*. Each party agrees to bear all of the costs of exercising its rights and carrying out its responsibilities under this Agreement, except as otherwise provided.

26.8 *Counterparts*. This Agreement may be signed in counterparts, and signature pages may be exchanged by electronic means, each such counterpart, when taken together with all other identical copies of this Agreement also signed in counterpart, will be considered as one complete Agreement.

27 APPLICABLE LAW AND DISPUTE RESOLUTION

27.1 *Choice of Law*. This Agreement takes effect when we accept and sign this document. This Agreement will be interpreted and construed exclusively under the laws of the State of California, which laws will prevail in the event of any conflict of law (without regard to, and without giving effect to, the application of California choice-of-law rules); provided, however, that if the covenants in Section 19 of this Agreement would not be enforced as written under California law, then the parties agree that those covenants will instead be interpreted and construed under the laws of the state in which the Franchised Business is located. Nothing in this Section 27.1 is intended by the parties to invoke the application of any franchise, business opportunity, antitrust, implied covenant, unfair competition, fiduciary, and/or other doctrine of law of the State of California (or any other state) that would not otherwise apply if the words in this Section 27.1 were not included in this Agreement.

27.2 *Choice of Venue.* Subject to Section 27.3 below, the parties agree that any action that you bring against us, in any court, whether federal or state, must be brought only within the courts that have jurisdiction over Bakersfield, California. Any action that we bring against you in any court, whether federal or state, may be brought within the state and judicial district in which we maintain our principal place of business.

27.2.1 The parties agree that this Section 27.2 will not be construed as preventing either party from removing an action from state to federal court; provided, however, that venue will be as set forth above.

27.2.2 The parties hereby waive all questions of personal jurisdiction or venue for the purpose of carrying out this provision.

27.2.3 Any such action will be conducted on an individual basis, and not as part of a consolidated, common, or class action.

27.3 *Mediation*. Before any party may bring an action in court against the other, the parties agree that they must first meet to mediate the dispute (except as otherwise provided in Section 27.5 below). Any such mediation will be non-binding and will be conducted in accordance with the then-current rules for mediation of commercial disputes of JAMS, Inc. (formerly, "Judicial Arbitration and Mediation Services, Inc.") at its location in or nearest to Bakersfield, California.

27.4 *Parties Rights Are Cumulative*. No right or remedy conferred upon or reserved to us or you by this Agreement is intended to be, nor will be deemed, exclusive of any other right or remedy herein or by law or equity provided or permitted, but each will be cumulative of every other right or remedy.

27.5 *Injunctions*. Nothing contained in this Agreement will bar our right to obtain injunctive relief in a court of competent jurisdiction against threatened conduct that will cause us loss or damages, under the usual equity rules, including the applicable rules for obtaining restraining orders and preliminary injunctions.

27.6 ***WAIVER OF JURY TRIALS*. EACH PARTY TO THIS AGREEMENT IRREVOCABLY WAIVES TRIAL BY JURY IN ANY ACTION, PROCEEDING, OR COUNTERCLAIM, WHETHER AT LAW OR IN EQUITY, BROUGHT BY EITHER OF THEM AGAINST THE OTHER, WHETHER OR NOT THERE ARE OTHER PARTIES IN SUCH ACTION OR PROCEEDING.**

27.7 ***MUST BRING CLAIMS WITHIN ONE YEAR*. EACH PARTY TO THIS AGREEMENT AGREES THAT ANY AND ALL CLAIMS AND ACTIONS ARISING OUT OF OR RELATING TO THIS AGREEMENT, THE PARTIES' RELATIONSHIP, AND/OR YOUR OPERATION OF THE FRANCHISED BUSINESS, BROUGHT BY ANY PARTY HERETO AGAINST THE OTHER (EXCLUDING CLAIMS SEEKING INDEMNIFICATION), SHALL BE COMMENCED WITHIN ONE (1) YEAR FROM THE OCCURRENCE OF THE FACTS GIVING RISE TO SUCH CLAIM OR ACTION, OR, IT IS EXPRESSLY ACKNOWLEDGED AND AGREED BY ALL PARTIES, SUCH CLAIM OR ACTION SHALL BE IRREVOCABLY BARRED.**

27.8 ***WAIVER OF PUNITIVE DAMAGES*. EACH PARTY TO THIS AGREEMENT HEREBY WAIVES TO THE FULLEST EXTENT PERMITTED BY LAW ANY RIGHT TO OR CLAIM OF ANY PUNITIVE OR EXEMPLARY DAMAGES AGAINST THE OTHER, AND AGREE THAT IN THE EVENT OF A DISPUTE BETWEEN THEM EACH SHALL BE LIMITED TO THE RECOVERY OF ANY ACTUAL DAMAGES IT HAS SUSTAINED (INCLUDING LOST FUTURE ROYALTIES).**

27.9 *Payment of Legal Fees*. You agree to pay us all damages, costs and expenses (including reasonable attorneys' fees, court costs, discovery costs, and all other related expenses) that we incur in: **(a)** obtaining injunctive or other relief for the enforcement of any provisions of this Agreement (including Sections 9 and 17 above); and/or **(b)** successfully defending a claim from you that we misrepresented the terms of this Agreement, fraudulently induced you to sign this Agreement, that the provisions of this Agreement are not fair, were not properly entered into, and/or that the terms of this Agreement (as it may be amended by its terms) do not exclusively govern the parties' relationship.

28 ACKNOWLEDGMENTS

28.1 *No Waivers.* Nothing in this Agreement is meant as, or may be construed, or otherwise interpreted: (**a**) as a waiver of any state law that may apply to you; nor (**b**) as a disclaimer of any statement or representation that we have made in our FDD.

28.2 *Restaurant Possibilities.* We recommend that you conduct an independent investigation of the business franchised under this Agreement. We also note that this business venture involves business and financial risks and your success will be largely dependent upon your personal ability (and that of your owners as independent businesspersons).

28.3 *Warranties or Guarantees.* We do not make (nor do we authorize anyone else to make) any warranty or guarantee, express or implied, as to the potential volume, profits, or success of the business contemplated by this Agreement.

28.4 *Advisors.* We recommend that you seek advice from advisors of your own choosing (including a lawyer and an accountant) about the potential benefits and risks of entering into this Agreement.

28.5 *No Conflicting Obligations.* Each party represents and warrants to the other party that there are no other agreements, court orders, or any other legal obligations that would preclude or in any manner restrict that party from: **(a)** negotiating and entering into this Agreement; **(b)** exercising its rights under this Agreement; and/or **(c)** fulfilling its obligations and responsibilities under this Agreement.

28.6 *Choice of the Accepted Location.* You agree that you have sole and complete responsibility for the choice of the Accepted Location; that we have not (and will not be deemed to have, even by our requirement that you use a location service and/or our approval of the site that is the Accepted Location) given any representation, promise, or guarantee of your success at

the Accepted Location; and that you will be solely responsible for your own success at the Accepted Location.

28.7 *Operation of the Franchised Business.* Although we retain the right to establish and periodically modify System standards, which you have agreed to maintain in the operation of your franchised Restaurant, you retain the right and sole responsibility for the day-to-day management and operation of the Franchised Business and the implementation and maintenance of system standards at the Franchised Business.

28.8 *Different Franchise Offerings to Others.* You agree that we may modify the terms under which we will offer franchises to other parties in any manner and at any time, which offers and agreements have or may have terms, conditions, and obligations that may differ from the terms, conditions, and obligations in this Agreement.

28.9 *Our Advice*. You agree that our advice is only that; that our advice is not a guarantee of success; and that you must reach and implement your own decisions about how to operate your Franchised Business on a day-to-day basis under the System.

28.10 *Your Independence*. You agree that:

28.10.1 you are the only party that employs your staff (even though we may provide you with advice, guidance, and training);

28.10.2 we are not your employer nor are we the employer of any of your staff, and even if we express an opinion or provide advice, we will play no role in your decisions regarding their employment (including matters such as recruitment, hiring, compensation, scheduling, employee relations, labor matters, review, discipline, and/or dismissal);

28.10.3 the guidance that we provide, and requirements under which you will operate, are intended to promote and protect the value of the brand and the Proprietary Marks;

28.10.4 when forming and in operating your business, you had to adopt standards to operate that business, and that instead of developing and implementing your own standards (or those of another party), you chose to adopt and implement our standards for your business (including our System and the requirements under this Agreement); and

28.10.5 you have made (and will remain always responsible for) all of the organizational and basic decisions about establishing and forming your entity, operating your business (including adopting our standards as your standards), and hiring employees and employment matters (including matters such as recruitment, hiring, compensation, scheduling, employee relations, labor matters, review, discipline, and/or dismissal), engaging professional advisors, and all other facets of your operation.

28.11 *General Release*. If this Agreement is not the first contract between you (and your affiliates) and us (and our affiliates), then you agree to the following:

*You (on behalf of yourself and your parent, subsidiaries and affiliates and their respective past and present members, officers, directors, members, managers, shareholders, agents and employees, in their corporate and individual capacities) and all guarantors of your obligations under this Agreement (collectively, "**Releasors**") freely and without any influence forever release (and covenant not to sue) us, our parent, subsidiaries and affiliates and their respective*

*past and present officers, directors, shareholders, agents and employees, in their corporate and individual capacities (collectively "**Releasees**"), with respect to any and all claims, demands, liabilities and causes of action of whatever kind or nature, whether known or unknown, vested or contingent, suspected or unsuspected (collectively, "**claims**"), which any Releasor now owns or holds or may at any time have owned or held, including, claims arising under federal, state and local laws, rules and ordinances and claims arising out of, or relating to this Agreement and all other agreements between any Releasor and any Releasee, the sale of any franchise to any Releasor, the development and operation of the Restaurants and the development and operation of all other businesses operated by any Releasor that are franchised by any Releasee. You understand as well that you may later learn of new or different facts, but still, it is your intention to fully, finally, and forever release all of the claims that are released above. This includes your waiver of state laws that may otherwise limit a release (for example, Calif. Civil Code Section 1542, which states that "[a] general release does not extend to claims that the creditor or releasing party does not know or suspect to exist in his or her favor at the time of executing the release and that, if known by him or her, would have materially affected his or her settlement with the debtor or released party."). You agree that fair consideration has been given by us for this General Release and you fully understand that this is a negotiated, complete and final release of all claims. This General Release does not release any claims arising from representations made in our Franchise Disclosure Document and its exhibits or otherwise affect any claims arising after the date of this Agreement.*

*****

IN WITNESS WHEREOF, intending to be legally bound by this Agreement, the parties have duly signed and delivered this Agreement as of the Effective Date (as written below).

Country Waffles, Inc.
Franchisor

By:_____

Name:_____

Title:_____

Effective Date:_____

Address for Notices:

4011 Jewett Avenue
Bakersfield, California 93301
Telephone: 559.819.0099
Attn: Joseph T. Ghazale
E-mail: Ghazale1957@gmail.com

_____
Franchisee Entity

By:_____

Name:_____

Title:_____

By:_____

Name:_____

Title:_____

Address for Notices:

_____

_____

Telephone:_____
Attn:_____
E-mail:_____

Country Waffles, Inc.
FRANCHISE AGREEMENT
EXHIBIT A
DATA SHEET

¶	Section Cross-Reference	Item
1	1.2	The Accepted Location under this Agreement will be: _____ _____ .
2	1.3	Subject to the terms of Section 1.3 of this Agreement, the Protected Area under this Agreement will be: _____ _____ [or … a circle with a radius of _____ miles and its center at the front door of the Shop but excluding _____ _____.]
3	13.5	Your minimum expenditure on the Grand Opening Marketing Program will be $25,000.

Initials

_____ Franchisee

_____ Franchisor

Country Waffles, Inc.
FRANCHISE AGREEMENT
EXHIBIT B
GUARANTEE, INDEMNIFICATION, AND ACKNOWLEDGMENT

In order to induce Country Waffles, Inc. ("**Franchisor**") to sign the Country Waffles Franchise Agreement between Franchisor and _____ ("**Franchisee**"), dated _____, 202_____ (the "**Agreement**"), each of the undersigned parties, jointly and severally, hereby unconditionally guarantee to Franchisor and its successors and assigns that all of Franchisee's obligations (monetary and otherwise) under the Agreement as well as any other contract between Franchisee and Franchisor (and/or Franchisor's affiliates) will be punctually paid and performed.

Each person signing this Personal Guarantee acknowledges and agrees, jointly and severally, that:

- Upon Franchisor's demand, s/he will immediately make each payment required of Franchisee under the Agreement and/or any other contract (including another franchise agreement) with Franchisor and/or its affiliates.

- S/he waives any right to require Franchisor to: **(a)** proceed against Franchisee for any payment required under the Agreement (and/or any other contract with Franchisor and/or its affiliates); **(b)** proceed against or exhaust any security from Franchisee; **(c)** pursue or exhaust any remedy, including any legal or equitable relief, against Franchisee; and/or **(d)** give notice of demand for payment by Franchisee.

- Without affecting the obligations of the undersigned persons under this Guarantee, Franchisor may, without notice to the undersigned, extend, modify, or release any indebtedness or obligation of Franchisee, or settle, adjust, or compromise any claims against Franchisee. Each of the undersigned persons waive notice of amendment of the Agreement (and any other contract with Franchisor and Franchisor's affiliates) and notice of demand for payment by Franchisee, and agree to be bound by any and all such amendments and changes to the Agreement (and any other contract with Franchisor and Franchisor's affiliates).

- S/he will defend, indemnify and hold Franchisor harmless against any and all losses, damages, liabilities, costs, and expenses (including reasonable attorneys' fees, court costs, discovery costs, and all other related expenses) resulting from, consisting of, or arising out of or in connection with any failure by Franchisee to perform any obligation of Franchisee under the Agreement (and any other contract with Franchisor and Franchisor's affiliates) and/or any amendment to the Agreement.

- S/he will be personally bound by all of Franchisee's covenants, obligations, and promises in the Agreement.

- S/he agrees to be personally bound by all of Franchisee's covenants, obligations, and promises in the Agreement, which include, but are not limited to, the covenants in the following Sections of the Agreement: **Section 9.3** (generally regarding trademarks), **Section 11** (generally regarding confidentiality), **Section 16** (generally regarding Transfers), **Section 18** (generally regarding obligations upon termination or expiration of this Agreement), and **Section 19** (generally regarding covenants against competition) of the Agreement.

- S/he understands that: **(a)** this Guarantee does not grant her/him any rights under the Agreement (including but not limited to the right to use any of Franchisor's marks such as the

"Country Waffles Breakfast & Lunch" marks) or the system licensed to Franchisee under the Agreement; **(b)** s/he have read, in full, and understands, all of the provisions of the Agreement that are referred to above in this paragraph, and that s/he intends to fully comply with those provisions of the Agreement as if they were printed here in full; and **(c)** s/he have had the opportunity to consult with a lawyer of her/his own choosing in deciding whether to sign this Guarantee.

This Guarantee will be interpreted and construed in accordance with **Section 27** of the Agreement (including but not limited to the waiver of punitive damages, waiver of jury trial, agreement to bring claims within one year, and agreement not to engage in class or common actions). Among other things, that means that this Guarantee will be interpreted and construed exclusively under the laws of the State of California, and that in the event of any conflict of law, California law will prevail (without applying California conflict of law rules).

IN WITNESS WHEREOF, each of the undersigned persons has signed this Guarantee as of the date of the Agreement.

_____	_____	_____
(signed in his/her personal capacity)	(signed in his/her personal capacity)	(signed in his/her personal capacity)
Printed Name:_____	Printed Name:_____	Printed Name:_____
Date:_____	Date:_____	Date:_____
Home Address:	Home Address:	Home Address:
_____	_____	_____
_____	_____	_____

Country Waffles, Inc.
FRANCHISE AGREEMENT
EXHIBIT C
LIST OF PRINCIPALS

Name of Principal	**Home Address**	**Percentage Interest Held in Franchisee**

Initials

Franchisee

Franchisor

Country Waffles, Inc.
FRANCHISE AGREEMENT
EXHIBIT D

AUTHORIZATION AGREEMENT FOR ACH PAYMENTS
(DIRECT DEBITS FOR ROYALTY, MARKETING CONTRIBUTION, AND OTHER FEES)

_____ (Name of Person or Legal Entity)

_____ (Tax ID Number (FEIN))

The undersigned depositor ("**Depositor**" or "**Franchisee**") hereby authorizes Country Waffles, Inc. ("**Franchisor**") to initiate debit entries and/or credit correction entries to the undersigned's checking and/or savings account(s) indicated below and the depository designated below ("**Depository**" or "**Bank**") to debit or credit such account(s) pursuant to our instructions.

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

This authorization is to remain in full and force and effect until sixty (60) days after we have received written notification from Franchisee of its termination.

Printed Name of Depositor: _____

Signed By: _____

Printed Name: _____

Title: _____

Date: _____

Country Waffles, Inc.
FRANCHISE AGREEMENT
EXHIBIT E
ADA CERTIFICATION

Country Waffles, Inc. ("**Franchisor**" or "**us**") and _____ ("**Franchisee**" or "**you**") are parties to a franchise agreement dated _____, 202___ (the "**Franchise Agreement**") for the operation of a Franchised Business at _____ (the "**Franchised Business**").

- In accordance with Section 5.6.2 of the Franchise Agreement, you certify to us that, to the best of your knowledge, the Franchised Business and its adjacent areas comply with all applicable federal, state, and local accessibility laws, statutes, codes, rules, regulations, and standards, including but not limited to the Americans with Disabilities Act.

- You acknowledge that you are an independent contractor and the requirement of this certification by Franchisor does not constitute ownership, control, leasing, or operation of the Franchised Business.

- You acknowledge that we have relied on the information contained in this certification.

- You agree to indemnify us and our officers, directors, members, managers, shareholders, and employees in connection with any and all claims, losses, costs, expenses, liabilities, compliance costs, and damages incurred by the indemnified party(ies) as a result of any matters associated with your compliance with the Americans with Disabilities Act, as well as the costs (including reasonable attorneys' fees, court costs, discovery costs, and all other related expenses) related to the same.

Acknowledged and Agreed:

_____
Franchisee:

By:_____

Printed Name:_____

Title:_____

Country Waffles, Inc.
FRANCHISE AGREEMENT
EXHIBIT F-1

SAMPLE FORM OF
NON-DISCLOSURE AND NON-COMPETITION AGREEMENT
(to be signed by franchisee with its executive/management staff)

THIS NON-DISCLOSURE AND NON-COMPETITION AGREEMENT ("**Agreement**") is made on _____, 202___, by and between _____ (the "**Franchisee**"), and _____, who is a Principal, manager, supervisor, member, partner, or a person in an executive or managerial position with, Franchisee (the "**Member**").

Background:

A. Country Waffles, Inc. ("**Franchisor**") owns (and/or is a licensee for) a format and system (the "**System**") relating to the establishment and operation of "Country Waffles" businesses operating in structures that bear Franchisor's interior and exterior trade dress, and under its Proprietary Marks, as defined below (each, a "**Restaurant**").

B. Franchisor identifies "Country Waffles Breakfast & Lunch" Restaurants by means of certain trade names, service marks, trademarks, logos, emblems, and indicia of origin (including for example the mark "Country Waffles Breakfast & Lunch") and certain other trade names, service marks, and trademarks that Franchisor currently and may in the future designate in writing for use in connection with the System (the "**Proprietary Marks**").

C. Franchisor and Franchisee have executed a Franchise Agreement ("**Franchise Agreement**") granting Franchisee the right to operate a "Country Waffles Breakfast & Lunch" Restaurant (the "**Franchised Business**") and to offer and sell products, services, and other ancillary products approved by Franchisor and use the Proprietary Marks in connection therewith under the terms and conditions of the Franchise Agreement.

D. The Member, by virtue of his or her position with Franchisee, will gain access to certain of Franchisor's Confidential Information, as defined herein, and must therefore be bound by the same confidentiality and non-competition agreement that Franchisee is bound by.

IN CONSIDERATION of these premises, the conditions stated herein, and for other good and valuable consideration, the sufficiency and receipt of which are acknowledged, the parties agree as follows:

1. Confidential Information. During the time that Member is engaged by Franchisee, and after that engagement ends, Member will not communicate, divulge, or use for the benefit of any other party the methods of operation of the Franchised Business that the Member learns about during the Member's engagement by Franchisee. Any and all information, knowledge, know-how, and techniques that are deemed confidential are will be deemed confidential for purposes of this Agreement.

2. Covenants Not to Compete.

(a) Member specifically acknowledges that, pursuant to the Franchise Agreement, and by virtue of his/her position with Franchisee, Member will receive valuable specialized training and

confidential information, including, without limitation, information regarding the operational, sales, promotional, and marketing methods and techniques of Franchisor and the System.

(b) Member covenants and agrees that during the term of the Franchise Agreement, except as otherwise approved in writing by Franchisor, Member will not, either directly or indirectly, for itself, or through, on behalf of, or in conjunction with any person, persons, partnership, corporation, or entity:

(i) Divert or attempt to divert any business or customer of the Franchised Business or of any Franchised Business using the System to any competitor, by direct or indirect inducement or otherwise, or do or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with Franchisor's Proprietary Marks and the System; or

(ii) Either directly or indirectly for him/herself or on behalf of, or in conjunction with any person, persons, partnership, corporation, or entity, own, maintain, operate, engage in, or have any interest in any business which is the same as or similar to the Franchised Business.

(c) Member covenants and agrees that during the Post-Term Period (defined below), except as otherwise approved in writing by Franchisor, Member will not, either directly or indirectly, for itself, or through, on behalf of, or in conjunction with any person, persons, partnership, corporation, or entity, Member will not own, maintain, operate, engage in, or have any interest in any business which is the same as or similar to the Franchised Business and which business is, or is intended to be, located within a three (3) mile radius of the Accepted Location.

(d) As used in this Agreement, the term "same as or similar to the Franchised Business" means any foodservice business as to which is agreed to mean any foodservice business that specializes in serving breakfast and lunch.

(e) As used in this Agreement, the term "Post-Term Period" means one (1) year from the date of termination of Member's employment with Franchisee (except as may otherwise be required under applicable law). Any period of non-compliance with this requirement shall not count toward satisfying this requirement.

3. Injunctive Relief. Member acknowledges that any failure to comply with the requirements of this Agreement will cause Franchisor irreparable injury, and Member agrees to pay all costs (including reasonable attorneys' fees, court costs, discovery costs, and all other related expenses) incurred by Franchisor in obtaining specific performance of, or an injunction against violation of, the requirements of this Agreement.

4. Severability. All agreements and covenants contained herein are severable. If any of them, or any part or parts of them, will be held invalid by any court of competent jurisdiction for any reason, then the Member agrees that the court will have the authority to reform and modify that provision in order that the restriction will be the maximum necessary to protect Franchisor's and/or Member's legitimate business needs as permitted by applicable law and public policy. In so doing, the Member agrees that the court will impose the provision with retroactive effect as close as possible to the provision held to be invalid.

5. Delay. No delay or failure by the Franchisor or Franchisee to exercise any right under this Agreement, and no partial or single exercise of that right, will constitute a waiver of that or any other right provided herein, and no waiver of any violation of any terms and provisions of this Agreement will be construed as a waiver of any succeeding violation of the same or any other provision of this Agreement.

6. Third-Party Beneficiary. Member hereby acknowledges and agrees that Franchisor is an intended third-party beneficiary of this Agreement with the right to enforce it, independently or jointly with Franchisee.

7. Employer. Member hereby acknowledges and agrees that Franchisee is its employer, and that Franchisor does not employ Member, is not a "joint employer" with Franchisee, nor does Franchisor have anything to say about Member's employment relationship to Franchisee.

IN WITNESS WHEREOF, the Franchisee and the Member attest that each has read and understands the terms of this Agreement, and voluntarily signed this Agreement on the date first written above.

FRANCHISEE	MEMBER
_____	_____
By: _____	By: _____
Name: _____	Name: _____
Title: _____	Title: _____

Country Waffles, Inc.
FRANCHISE AGREEMENT
EXHIBIT F-2

SAMPLE FORM OF
NON-DISCLOSURE AGREEMENT
(to be signed by franchisee with its non-management staff)

THIS NON-DISCLOSURE AGREEMENT ("**Agreement**") is made on _____, 202___, by and between _____ (the "**Franchisee**") and _____, who is an employee of Franchisee (the "**Employee**").

Background:

A. Country Waffles, Inc. ("**Franchisor**") owns a format and system (the "**System**") relating to the establishment and operation of "Country Waffles Breakfast & Lunch" businesses in structures that bear Franchisor's interior and exterior trade dress, and under its Proprietary Marks, as defined below (each, a "**Restaurant**").

B. Franchisor identifies "Country Waffles Breakfast & Lunch" Restaurants by means of certain trade names, service marks, trademarks, logos, emblems, and indicia of origin (including for example the mark "Country Waffles Breakfast & Lunch") and certain other trade names, service marks, and trademarks that Franchisor currently and may in the future designate in writing for use in connection with the System (the "**Proprietary Marks**").

C. Franchisor and Franchisee have executed a Franchise Agreement ("**Franchise Agreement**") granting Franchisee the right to operate a "Country Waffles Breakfast & Lunch" Restaurant (the "**Franchised Business**") and to offer and sell products, services, and other ancillary products approved by Franchisor and use the Proprietary Marks in connection therewith under the terms and conditions of the Franchise Agreement.

D. The Employee, by virtue of his or her position with Franchisee, will gain access to certain of Franchisor's Confidential Information, as defined herein, and must therefore be bound by the same confidentiality and non-competition agreement that Franchisee is bound by.

IN CONSIDERATION of these premises, the conditions stated herein, and for other good and valuable consideration, the sufficiency and receipt of which are acknowledged, the parties agree as follows:

1. Confidential Information. During the time that Member is engaged by Franchisee, and after that engagement ends, Member will not communicate, divulge, or use for the benefit of any other party the methods of operation of the Franchised Business that the Member learns about during the Member's engagement by Franchisee. Any and all information, knowledge, know-how, and techniques that are deemed confidential are will be deemed confidential for purposes of this Agreement.

2. Injunctive Relief. Employee acknowledges that any failure to comply with the requirements of this Agreement will cause Franchisor irreparable injury, and Employee agrees to pay all costs (including reasonable attorneys' fees, court costs, discovery costs, and all other related expenses) incurred by Franchisor in obtaining specific performance of, or an injunction against violation of, the requirements of this Agreement.

3. Severability. All agreements and covenants contained herein are severable. If any of them, or any part or parts of them, will be held invalid by any court of competent jurisdiction for any reason, then the Employee agrees that the court will have the authority to reform and modify that provision in order that the restriction will be the maximum necessary to protect Franchisor's and/or Employee's legitimate business needs as permitted by applicable law and public policy. In so doing, the Employee agrees that the court will impose the provision with retroactive effect as close as possible to the provision held to be invalid.

4. Delay. No delay or failure by the Franchisor or Franchisee to exercise any right under this Agreement, and no partial or single exercise of that right, will constitute a waiver of that or any other right provided herein, and no waiver of any violation of any terms and provisions of this Agreement will be construed as a waiver of any succeeding violation of the same or any other provision of this Agreement.

5. Third-Party Beneficiary. Employee hereby acknowledges and agrees that Franchisor is an intended third-party beneficiary of this Agreement with the right to enforce it, independently or jointly with Franchisee.

6. Employer. Employee hereby acknowledges and agrees that Franchisee is its employer, and that Franchisor does not employ Employee, is not a "joint employer" with Franchisee, nor does Franchisor have anything to say about Employee's employment relationship to Franchisee.

IN WITNESS WHEREOF, the Franchisee and the Employee attest that each has read and understands the terms of this Agreement, and voluntarily signed this Agreement on the date first written above.

FRANCHISEE	EMPLOYEE
_____	_____
By: _____	By: _____
Name: _____	Name: _____
Title: _____	Title: _____

Country Waffles, Inc.
FRANCHISE AGREEMENT
EXHIBIT G

SITE SELECTION ADDENDUM

Country Waffles, Inc. ("**Franchisor**" or "**us**" or "**we**") and _____ ("**Franchisee**" or "**you**") have this ____ day of _____, 202____ entered into a Country Waffles Breakfast & Lunch Franchise Agreement ("**Franchise Agreement**") and wish to supplement its terms as set out below in this Site Selection Addendum (the "**Addendum**"). The parties agree as follows:

AGREEMENT

1. **Time to Locate Site**: Within ninety (90) days after the date of this Addendum, you agree to acquire or enter into a binding lease/sublease (collectively, a "**lease**"), at your own expense, commercial real estate that is properly zoned for the use of the business that you will conduct under the Franchise Agreement (the "**Franchised Business**") at a site that we will have approved in writing as provided below. You must provide us with a copy of the signed purchase agreement or lease/sublease (and you need to close/settle on the property if purchasing).

a. Such location must be within the following area: _____

_____

(the "**Site Selection Area**").

b. The only reason that the Site Selection Area is described is for the purpose of finding a site for the Franchised Business. The parties agree that: (i) the Site Selection Area is not the "Protected Area" under Section 1.3 of the Franchise Agreement; and (ii) the provisions of Section 1.3 of the Franchise Agreement will not apply to the Site Selection Area.

c. Until the end of the Search Period, and inside the Site Selection Area,) we will not establish, nor franchise another party to establish, a "Country Waffles Breakfast & Lunch" business operating under the System.

d. For purposes of this Addendum, the term "**Search Period**" means ninety (90) days from the date of this Addendum, or the period from the date of this Addendum until we have approved of a location for your Franchised Business, whichever event first occurs. When the Search Period expires, the protections of paragraph 1.c above will also automatically expire and you will have no further rights regarding the Site Selection Area.

e. If you do not acquire or lease a site (that we have approved in writing) for the Franchised Business in accordance with this Addendum by not later than one hundred and eighty (180) days after the date of this Addendum, that will constitute a default under Section 17.2 of the Franchise Agreement and also under this Addendum, and we will have the right to terminate the Franchise Agreement and this Addendum pursuant to the terms of Section 17.2 of the Franchise Agreement.

2. **Site Evaluation Services**: We will provide you with our site selection guidelines, including our minimum standards for a location for the Franchised Business, and such site selection counseling and assistance as we may deem advisable. We will perform one (1) on-site evaluation as we may deem advisable in response to your requests for site approval without a separate charge. If we perform any additional on-site evaluations, you must reimburse, as applicable, us for all reasonable expenses that we incur in connection with such on-site evaluation, including, without limitation, the cost of travel,

lodging and meals. We will not provide on site evaluation for any proposed site before we have received from you a completed site approval form for the site (prepared as set forth in Section 3 below).

3. **Site Selection Package Submission and Approval**: You must submit to us, in the form that we specify: ***(a)*** a completed site approval form (in the form that we require); ***(b)*** such other information or materials that we may reasonably require; and ***(c)*** an option contract, letter of intent, or other evidence satisfactory to us that confirms your favorable prospects for obtaining the site. You acknowledge that time is of the essence. We will have thirty (30) days after receipt of all such information and materials from you to approve or disapprove the proposed site as the location for the Franchised Business. We have the right to approve or disapprove any such site to serve as the Accepted Location for the Franchised Business. If we do not approve a proposed site by giving you written notice within the 30-day period, then we will be deemed to have disapproved of the site.

4. **Lease Responsibilities**: After we have approved a site and before the expiration of the Search Period, you must execute a lease, which must be coterminous with the Franchise Agreement, or a binding agreement to purchase the site. Our approval of any lease is conditioned upon inclusion in the lease of the lease rider attached to the Franchise Agreement as Exhibit H. However, even if we examine the lease, we are not responsible for review of the lease for any terms other than those contained in the lease rider.

5. **Accepted Location**: After we have approved the location for the Franchised Business and you have leased or acquired that location, the location will constitute the **Accepted Location** described in Section 1.2 of the Franchise Agreement. The Accepted Location will be specified on Exhibit A to the Franchise Agreement, and will become a part the Franchise Agreement.

a. You hereby agree that our approval of a site does not constitute an assurance, representation, or warranty of any kind, express or implied, as to the suitability of the site for the Franchised Business or for any other purpose. Our approval of the site indicates only that we believe the site complies with our minimum acceptable criteria solely for our own purposes as of the time of the evaluation. The parties each acknowledge that application of criteria that have been effective with respect to other sites and premises may not be predictive of potential for all sites and that, subsequent to our approval of a site, demographic and/or economic factors, such as competition from other similar businesses, included in or excluded from criteria that we used could change, thereby altering the potential of a site. Such factors are unpredictable and are beyond our control.

b. We will not be responsible for the failure of a site (even if we have approved that site) to meet your expectations as to revenue or operational criteria.

c. You agree that your acceptance of a franchise for the operation of the Franchised Business at the site is based on its own independent investigation of the suitability of the site.

6. **Construction**: This Addendum will be considered an integral part of the Franchise Agreement between the parties hereto, and the terms of this Addendum will be controlling with respect to the subject matter hereof. All capitalized terms not otherwise defined herein will have the same meaning as set forth in the Franchise Agreement. Except as modified or supplemented by this Addendum, the terms of the Franchise Agreement are hereby ratified and confirmed.

IN WITNESS WHEREOF, each party hereto has caused its duly authorized representative to duly execute and deliver this Addendum on the date first above written.

Country Waffles, Inc. Franchisor	_____ Franchisee
By:_____	By:_____
Name:_____	Name:_____
Title:_____	Title:_____

Country Waffles, Inc.
FRANCHISE AGREEMENT
EXHIBIT H
LEASE RIDER

THIS ADDENDUM (the "**Addendum**") has been executed as of _____, 202___, by and between _____ ("**Franchisee**") and _____ ("**Lessor**"), as an addendum to the lease, as modified, amended, supplemented, renewed and/or extended from time to time as contemplated herein ("**Lease**") dated as of _____, 202___ for the premises located at _____ (the "**Premises**").

Franchisee has also entered (or will also enter) into a Franchise Agreement ("**Franchise Agreement**") with Country Waffles, Inc. ("**Franchisor**") for the development and operation of a "Country Waffles Breakfast & Lunch" business at the Premises, and as a condition to obtaining Franchisor's approval of the Lease, the Lease for the Premises must contain the provisions contained in this Addendum.

NOW THEREFORE, in consideration of mutual covenants set forth herein, the execution and delivery of the Lease, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Lessor and Franchisee hereby agree as follows:

1. Lessor agrees to deliver to Franchisor a copy of any notice of default by Franchisee or termination of the Lease at the same time such notice is delivered to Franchisee. Franchisor agrees to deliver to Lessor a copy of any notice of termination under the Franchise Agreement. Franchisee hereby consents to that exchange of information by Lessor and Franchisor.

2. Franchisee hereby assigns to Franchisor, with Lessor's irrevocable and unconditional consent, all of Franchisee's rights, title and interests to and under the Lease upon any termination or non-renewal of the Franchise Agreement, but no such assignment will be effective unless and until: **(a)** the Franchise Agreement is terminated or expires without renewal; and **(b)** Franchisor has notified the Franchisee and Lessor in writing that Franchisor assumes Franchisee's obligations under the Lease.

3. Franchisor will have the right, but not the obligation, to cure any breach of the Lease (within fifteen (15) business days after the expiration of the period in which Franchisee had to cure any such default by Franchisee, should Franchisee fail to do so) upon giving written notice of its election to Franchisee and Lessor, and, if so stated in the notice, to also succeed to Franchisee's rights, title and interests thereunder. The Lease may not be modified, amended, supplemented, renewed, extended or assigned by Franchisee without Franchisor's prior written consent.

4. Franchisee and Lessor agree that Franchisor will have no liability or obligation whatsoever under the Lease unless and until Franchisor assumes the Lease in writing pursuant to Section 2 or Section 3, above.

5. If Franchisor assumes the Lease, as provided above, Franchisor may, without Lessor's prior consent, sublet and/or assign the Lease to another franchisee of Franchisor to operate a "Country Waffles Breakfast & Lunch" business at the Premises provided that the proposed franchisee has met all of Franchisor's applicable criteria and requirements and has executed a franchise agreement with Franchisor. Lessor agrees to execute such further documentation to confirm its consent to an assignment permitted under this Addendum as Franchisor may

reasonably request. Upon such assignment to a franchisee of Franchisor, Franchisor will be released from any further liability under the terms and conditions of the Lease.

6. Lessor and Franchisee hereby acknowledge that Franchisee has agreed under the Franchise Agreement that Franchisor and its employees or agents will have the right to enter the Premises for certain purposes. Lessor hereby agrees not to interfere with or prevent such entry by Franchisor, its employees or agents. Lessor and Franchisee hereby further acknowledge that if the Franchise Agreement expires (without renewal) or is terminated, Franchisee is obligated to take certain steps under the Franchise Agreement to de-identify the Premises as a "Country Waffles Breakfast & Lunch" business (unless Franchisor takes an assignment of the lease, as provided above). Lessor agrees to permit Franchisor, its employees or agent, to enter the Premises and remove signs (both interior and exterior), décor and materials displaying any marks, designs or logos owned by Franchisor, provided that Franchisor will bear the expense of repairing any damage to the Premises as a result thereof.

7. If Lessor is an affiliate or an owner of Franchisee, Lessor and Franchisee agree that if Lessor proposes to sell the Premises, before the sale of the Premises, upon the request of Franchisor the Lease will be amended to reflect a rental rate and other terms that are the reasonable and customary rental rates and terms prevailing in the community where the "Country Waffles Breakfast & Lunch" business is located.

8. Lessor agrees that during and after the term of the Lease, it will not disclose or use Franchisor's Confidential Information (as defined below) for any purpose other than for the purpose of fulfilling Lessor's obligations under the Lease. "**Confidential Information**" as used herein will mean all non-public information and tangible things, whether written, oral, electronic or in other form, provided or disclosed by or on behalf of Franchisee to Lessor, or otherwise obtained by Lessor, regarding the design and operations of the business located at the Premises, including, without limitation, all information identifying or describing the floor plan and layout, furnishings, equipment, fixtures, wall coverings, flooring materials, shelving, decorations, trade secrets, techniques, trade dress, "look and feel," design, manner of operation, suppliers, vendors, and all other products, goods, and services used, useful or provided by or for Franchisee on the Premises. Lessor acknowledges that all such Confidential Information belongs exclusively to Franchisor.

9. Lessor agrees that: **(a)** Franchisor has granted to only one party, the Franchisee, the right to use Franchisor's proprietary trade name, trademarks, service marks logos, insignias, slogans, emblems, symbols, designs and indicia of origin (collectively the "**Marks**") at the Premises under the terms of the Franchise Agreement; and **(b)** Franchisor has not granted any rights or privileges to use the Marks to Lessor.

10. Lessor and Franchisee agree that the Premises will be used solely for the operation of a "Country Waffles Breakfast & Lunch" business.

11. Lessor and Franchisee agree that any default by Franchisee under the Lease will also constitute a default under the Franchise Agreement, and any default by Franchisee under the Franchise Agreement will also constitute a default by Franchisee under the Lease.

12. Lessor and Franchisee agree that the terms in this Addendum will supersede any contrary terms in the Lease and that they will not later amend the lease in a manner that supersedes the terms in this Addendum.

13. Franchisor, along with its successors and assigns, is an intended third party beneficiary of the provisions of this Addendum.

14. Lessor and Franchisee agree that copies of any and all notices required or permitted under this Addendum, or under the Lease, will also be sent to Franchisor at _____ (attention _____), or to such other address as Franchisor may specify by giving written notice to Lessor.

WITNESS the execution hereof under seal.

Lessor:	Franchisor*	Franchisee:
_____	_____	_____
Date:	Date:	Date:
_____	_____	_____
Subscribed and sworn to before me on _____, 202_____.	Subscribed and sworn to before me on _____, 202_____.	Subscribed and sworn to before me on _____, 202_____.
_____ Notary Public	_____ Notary Public	_____ Notary Public
My Commission expires: _____	My Commission expires: _____	My Commission expires: _____

* The Franchisor has signed this lease rider only to acknowledge its terms and not to accept any obligations under the lease.

Country Waffles, Inc.
FRANCHISE AGREEMENT
EXHIBIT I
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Country Waffles, Inc.
4011 Jewett Avenue
Bakersfield, California 93301

_____, 202__

_____
_____
_____
_____

Re: Area Development Agreement

Dear _____:

We are pleased to be entering into this Area Development Agreement (the "**Agreement**") with you today. As used in this Agreement, the terms "**you**", "**your**", and "**Area Developer**" mean _____, and the terms "**we**", "**us**", and "**Franchisor**" mean Country Waffles, Inc.

1. *Development*. This Agreement relates to the terms under which you will develop "Country Waffles Breakfast & Lunch" restaurant businesses that feature, among other things, feature, among other things, a specialty menu of all day breakfast and lunch items (each a "**Restaurant**") within the "**Development Area**" that is specified on the attached Data Sheet (Exhibit A). Each Restaurant will be established under the terms of a separate Franchise Agreement (the "**Franchise Agreement**") for that Restaurant, which will specify, among other things, the approved location of that Restaurant.

2. *Development Schedule*. You agree to establish each of the Restaurants in the Development Area according to the development schedule that is specified on the attached Data Sheet (Exhibit A). That schedule is referred to as the "**Development Schedule**."

3. *Term*. The term of this Agreement starts on the Effective Date listed on the signature page to this Agreement and will end on the last date specified in the Development Schedule (the "**Term**"), unless this Agreement is sooner terminated.

4. *Fees and Credits*. In consideration of the development rights granted under this Agreement, you agree to pay us a development fee in an amount equal to Thirty-Five Thousand Dollars ($35,000) for the first Restaurant to be developed plus Seventeen Thousand Five Hundred Dollars ($17,500) for each additional Restaurant to be developed under this Agreement in order to comply with the Development Schedule, the aggregate amount of which is specified in Exhibit A to this Agreement (the "**Development Fee**"), which you agree to pay to us when you sign this Agreement.

4.1 For each Franchise Agreement signed pursuant to this Agreement, you agree to pay to us an initial franchise fee in the following amounts:

(a) Thirty-Five Thousand Dollars ($35,000) under the first (1st) Franchise Agreement entered into under the Development Schedule;

(b) Thirty Thousand Dollars ($30,000) for the second (2nd) through fifth (5th) Franchise Agreements entered into under the Development Schedule; and

(c) Twenty-Five Thousand Dollars ($25,000) for the sixth (6th) and each additional Franchise Agreement entered into under the Development Schedule.

4.2 If you are in compliance with your obligations under this Agreement, then at the time you enter into the Franchise Agreement with us for the first Restaurant that you develop pursuant to the Development Schedule, we will credit to you the sum of Thirty-Five Thousand Dollars ($35,000) as full payment of the initial franchise fee due under the Franchise Agreement for that Restaurant. If you continue to be in compliance with your obligations under this Agreement, then at the time you enter into the Franchise Agreement for each additional Restaurant that you develop pursuant to the Development Schedule, we will credit to you the sum of Seventeen Thousand Five Hundred ($17,500), which credit we will apply to the initial franchise fee due under the Franchise Agreement for that Restaurant (provided, that the total amount of the credits that we grant to you under this Section 4.2 will not exceed the total Development Fee that you have actually paid to us).

4.3 The Development Fee will be fully earned when we receive it from you and it will be non-refundable in consideration of administrative and other expenses we incur and for the development opportunities lost or deferred as a result of the rights we have granted to you under this Agreement.

5. *Protected Development Area*. We will not establish, nor license anyone other than you to establish, a Restaurant in the Development Area during the Term of this Agreement (except as otherwise provided under Section 6 below) so long as you (and your affiliates) are in compliance with this Agreement and all of the Franchise Agreements between you (and your affiliates) and us (and our affiliates).

6. *Reservation of Rights*.

6.1 Except as otherwise specifically provided above in Section 5, we retain all other rights, and therefore we have the sole right (among others), and on any terms and conditions we deem advisable, and without granting you any rights therein, to do any or all of the following (and, in each case, despite their proximity to the Development Area, and despite their actual or threatened impact on sales at any Restaurant):

a. advertise and promote the "Country Waffles Breakfast & Lunch" trademarks (together with other marks that we specify in writing for use by franchisees and others, the "**Proprietary Marks**") anywhere;

b. fulfill, and license others to fulfill, customer orders by providing and permitting catering and delivery services in the Development Area;

c. establish (and license or franchise others to establish) Restaurants anywhere outside the Development Area;

d. establish (and license or franchise others to establish) businesses that neither operate under the "Country Waffles Breakfast & Lunch" system of operations, as further defined in the Franchise Agreement (the "**System**"), nor use the Proprietary Marks (even if those businesses offer products that are the same as or similar to those offered from Restaurants), no matter where those businesses are located (so long as those businesses are not "Restaurants" operated inside the Development Area);

e. acquire (or be acquired) and then operate any business of any kind, anywhere inside and outside the Development Area (so long as those businesses are not "Restaurants" operated within the Development Area);

f. establish, and license others to establish, Restaurants at any Non-Traditional Facility (as defined below) inside or outside the Development Area;

g. sell any business of any kind, including those operating under the System within the Development Area; and

h. sell and distribute, or license others to sell and distribute, directly or indirectly, any products in ready-to-prepare or bulk packaged form (as compared to single-serving ready-to-consume form) and other items bearing the Proprietary Marks (such as merchandise), from any location or to any purchaser (including, but not limited, the sale of items at wholesale and to purchasers in the Development Area through supermarkets, shops, mail order, and on the Internet, under our Proprietary Marks or as private-labeled items), so long as these sales are not made from a Restaurant operated inside the Development Area.

The term "**Non-Traditional Facility**" includes, among other things, school provided- or contracted for food services (including college or university dining halls, food courts, etc.), food halls, casinos, airports and other travel facilities; federal, state, or local government facilities (including military bases); hospitals; non-foodservice businesses within which a Restaurant or a branded facility is established and operated (including, for example, hotels and resorts); theme and amusement parks; recreational facilities; seasonal facilities; shopping malls; theaters; and sporting event arenas, stadiums, and centers.

7. *Other Brands*. You understand that we may operate (or be affiliated with companies that operate) businesses under brand names (whether as company-owned concepts, as a franchisor, or as a franchisee) in addition to the brand operated under the Proprietary Marks, and also that we may acquire other brands (or be acquired by a company that operates other brands) (collectively, "**Other Brands**"). You understand and agree that this Agreement does not grant you any rights with respect to any such Other Brands.

8. *No License to use the Marks*. This Agreement does not grant you any license to use, in any manner whatsoever, our Proprietary Marks or System. To the extent that we license those rights to you, that license will be set out under each of the Franchise Agreements.

9. *Signing of the Franchise Agreements*.

9.1 You must sign a separate Franchise Agreement for each Restaurant. The form of the Franchise Agreement for each Restaurant developed under this Agreement shall be in the form of our then-current Franchise Agreement. You must sign the Franchise Agreement for each Restaurant and submit to us for countersignature not more than thirty (30) days after you sign the lease or purchase property for that Restaurant.

9.2 Each Restaurant shall be located at a site that we have approved, within the Development Area, as provided in Section 10 below.

10. *Restaurant Development and Site Approval*. For each site that you propose for a Restaurant, you must comply with the site development requirements under the Franchise Agreement, including (if applicable) the Site Selection Addendum to the Franchise Agreement.

11. *Provisions of the Franchise Agreement Incorporated By Reference*. The parties agree that the provisions of the following sections of the Franchise Agreement are incorporated by reference into this Agreement as if they were printed in this Agreement (here, and in full text), and that the provisions noted above also apply to this Agreement (except that reference to the "Franchisee" in those provisions shall refer to you, as the "Area Developer," under this Agreement):

11.1 Section 11 – Confidentiality;

11.2 Section 15 – Insurance;

11.3 Section 16 – Transfer of Interest (and also see Section 12 below);

11.4 Section 17 – Default and Termination (and also see Section 13 below);

11.5 Section 18 – Obligations upon Termination or Expiration;

11.6 Section 19 – Covenants;

11.7 Section 20 – Taxes, Permits, and Indebtedness;

11.8 Section 21 – Independent Contractor and Indemnification (and also see Section 15 below);

11.9 Section 22 – Force Majeure;

11.10 Section 23 – Approvals and Waivers;

11.11 Section 24 – Notices;

11.12 Section 26 – Severability and Construction;

11.13 Section 28 – Acknowledgments; and

11.14 *Section 27 – Applicable Law and Dispute Resolution (You specifically acknowledge and agree that the provisions in Section 27 of the Franchise Agreement apply to this Agreement as well. Among other things, the provisions of Section 27 provide (in the detail spelled out in the Franchise Agreement) that you agree that California law shall exclusively govern the terms of this Agreement (but not applying California conflict of laws rules), that the parties agree to waive any right trial by jury, that the parties agree to waive the right to seek or collect punitive damages, that the parties must first mediate any dispute before bringing an action in court; that the venue for any action that you file against us will be exclusively in the courts with jurisdiction over Bakersfield, California, that you waive participation in a common or class action against us, and that all legal actions you bring must be brought within one (1) year from the occurrence of the facts giving rise to such claim or action – all as described in Section 27 of the Franchise Agreement,*

excluding claims for indemnification). Nothing in this Section 11.14 is intended by the parties to invoke the application of any franchise, business opportunity, antitrust, implied covenant, unfair competition, fiduciary, and/or other doctrine of law of the State of California (or any other state) that would not otherwise apply without this Section 11.14.)

12. *Transfers*. In addition to the provisions of Section 11.3 above, you understand and agree that we have entered into this Agreement in reliance on your promise and commitment to establish and operate an agreed-upon number of Restaurants, and that as a result, you agree that it would not be unreasonable for us to withhold our consent to a transfer of some, but not all, of the Franchise Agreements separate from one another, and in any case, separate from the rights set forth under this Agreement (if this Agreement has not at the time of a proposed transfer either expired or terminated).

13. *Defaults*.

13.1 In addition to the provisions of Section 11.4 above, you understand and agree that you would be in default under this Agreement if you:

a. do not meet your obligations under the Development Schedule (subject to Section 13.3 below) and/or any other agreement between you (and/or your affiliates) and us is terminated; and/or

b. fail to provide us with any information or documents we have the right to request under this Agreement or any other agreement between you (and/or your affiliates) and us (and/or our affiliates). If you are in default under this Agreement, then we will have the right to: (i) terminate this Agreement by giving you written notice of termination, which will take effect immediately (unless otherwise required under applicable law); or (ii) take any lesser action instead of terminating this Agreement, including but not limited to suspending or eliminating your rights to the Development Area.

13.2 A default under this Agreement shall not constitute a default under any Franchise Agreement between the parties.

14. *Entire Agreement and Amendment*. This Agreement, together with the provisions that are incorporated by reference pursuant to Section 11 above, as well as the Exhibits that are attached to this Agreement, together constitute the entire, full, and complete agreement between the parties concerning the subject matter of this Agreement, and supersede all prior agreements, representations, and other communications. The parties agree that: (a) they were not induced by any representations other than the words of this Agreement (including the Exhibits to this Agreement, which in turn include the Franchise Agreement provisions that are incorporated by reference) before deciding whether to sign this Agreement; and (b) they relied only on the words printed in this Agreement (and the Exhibits and the provisions of the Franchise Agreement that are incorporated by reference) in deciding whether to enter into this Agreement (however, nothing in this Agreement is meant to disclaim any statement included in our franchise disclosure document). Except for those changes permitted to be made unilaterally by Franchisor under this Agreement, no amendment, change, or variance from this Agreement shall be binding on either party unless mutually agreed to by the parties and executed by their authorized officers or agents in writing.

15. *Indemnity*. In addition to the provisions of Section 11.8 above, you agree to indemnify, defend, and hold harmless us, our owners and affiliates, and our (and our affiliates') officers,

directors, members, managers, employees, and agents against any and all claims arising directly or indirectly from, as a result of, or in connection with your conduct and/or operation of the business contemplated under this Agreement, as well as the costs of defending against them (including, but not limited to, reasonable attorneys' fees, reasonable costs of investigation, court costs, and arbitration fees and expenses).

16. *Confirmation that You Read and Understand the Franchise Agreement*. You acknowledge that you have read and understand the Franchise Agreement attached to this Agreement as Exhibit D (including but not limited to the provisions of the Franchise Agreement that are referenced (and/or incorporated by reference) into this Agreement via Section 11 above (including but not limited to the waiver of jury trial, the waiver of punitive damages, the mediation and venue clauses, and the provision waiving participation in a common or class action).

17. *Captions*. The headings and captions in this Agreement are merely for the sake of convenience and are not meant (and shall not be deemed) to change or have any affect upon the meaning of the Agreement.

IN WITNESS WHEREOF, intending to be legally bound by this Agreement, the parties have duly signed sealed, and delivered this Agreement to one another as of the Effective Date noted below.

Country Waffles, Inc.
Franchisor

By:_____

Name:_____

Title:_____

Effective Date:_____

Address for Notices:

4011 Jewett Avenue
Bakersfield, California 93301
Telephone: 559.819.0099
Attn: Joseph T. Ghazale
E-mail: Ghazale1957@gmail.com

_____
Area Developer Entity

By:_____

Name:_____

Title:_____

Address for Notices:

_____

_____

Telephone:_____
Attn:_____
E-mail:_____

Exhibits:

A – Data Sheet
B – Guarantee, Indemnification, and Acknowledgment
C – List of Principals in Area Developer
D – Form of Franchise Agreement

Exhibit A - Data Sheet

The Development Area under this Agreement shall be:

The present political boundaries of _____ (subject to Section 6 of this Agreement).

Initialed

_____ _____

Franchisor Area Developer

The Development Fee under this Agreement shall be:

How Development Fee Calculated	Total Development Fee
Seventeen Thousand Five Hundred Dollars ($17,500) multiplied by the number of Restaurants that are required to be developed under the Development Schedule	

Initialed

_____ _____

Franchisor Area Developer

The Development Schedule under this Agreement shall be:

By this anniversary of the date of this Agreement	Cumulative Total Number of Restaurants That You Agree To Have Open and in Operation in the Development Area
[number (#)] months	[number (#)]
[number (#)] months	[number (#)]
[number (#)] months	[number (#)]
[number (#)] months	[number (#)]
[number (#)] months	[number (#)]

Initialed

_____ _____

Franchisor Area Developer

Country Waffles, Inc.
Area Development Agreement
Exhibit B
Guarantee, Indemnification, and Acknowledgment

In order to induce Country Waffles, Inc. ("**Franchisor**") to sign the Country Waffles Breakfast & Lunch Area Development Agreement between Franchisor and _____ ("**Area Developer**"), dated _____, 202____ (the "**Development Agreement**"), each of the undersigned parties, jointly and severally, hereby unconditionally guarantee to Franchisor and its successors and assigns that all of Area Developer's obligations (monetary and otherwise) under the Development Agreement as well as any other contract between Area Developer and Franchisor (and/or Franchisor's affiliates) will be punctually paid and performed.

Each person signing this Personal Guarantee acknowledges and agrees, jointly and severally, that:

- Upon Franchisor's demand, s/he will immediately make each payment required of Area Developer under the Development Agreement and/or any other contract with Franchisor and/or its affiliates.

- S/he waives any right to require Franchisor to: **(a)** proceed against Area Developer for any payment required under the Development Agreement (and/or any other contract with Franchisor and/or its affiliates); **(b)** proceed against or exhaust any security from Area Developer; **(c)** pursue or exhaust any remedy, including any legal or equitable relief, against Area Developer; and/or **(d)** give notice of demand for payment by Area Developer.

- Without affecting the obligations of the undersigned persons under this Guarantee, Franchisor may, without notice to the undersigned, extend, modify, or release any indebtedness or obligation of Area Developer, or settle, adjust, or compromise any claims against Area Developer. Each of the undersigned persons waive notice of amendment of the Development Agreement (and any other contract with Franchisor and Franchisor's affiliates) and notice of demand for payment by Area Developer, and agree to be bound by any and all such amendments and changes to the Development Agreement (and any other contract with Franchisor and Franchisor's affiliates).

- S/he will defend, indemnify and hold Franchisor harmless against any and all losses, damages, liabilities, costs, and expenses (including without limitation reasonable attorneys' fees, court costs, discovery costs, and all other related expenses) resulting from, consisting of, or arising out of or in connection with any failure by Area Developer to perform any obligation of Area Developer under the Development Agreement (and any other contract with Franchisor and Franchisor's affiliates) and/or any amendment to the Development Agreement.

- S/he will be personally bound by all of Area Developer's covenants, obligations, and promises in the Development Agreement.

- S/he agrees to be personally bound by all of Area Developer's covenants, obligations, and promises in the Development Agreement, which include, but are not limited to, those found in the following Sections of the Development Agreement: **Section 8** (generally regarding trademarks), **Section 11.1** (generally regarding confidentiality), **Sections 11.3 and 12** (generally regarding Transfers), **Section 11.5** (generally regarding obligations upon

termination or expiration of this Development Agreement), and **Section 11.6** (generally regarding covenants against competition) of the Development Agreement.

- S/he understands that: **(a)** this Guarantee does not grant them any rights under the Development Agreement (including but not limited to the right to use any of Franchisor's marks such as the "Country Waffles Breakfast & Lunch" marks); **(b)** that they have read, in full, and understand, all of the provisions of the Development Agreement that are referred to above in this paragraph (including the provisions of the franchise agreement that are incorporated into this Development Agreement), and that they intend to fully comply with those provisions of the Development Agreement as if they were printed here; and **(c)** that they have had the opportunity to consult with a lawyer of their own choosing in deciding whether to sign this Guarantee.

This Guarantee will be interpreted and construed in accordance with **Section 11.14** of the Development Agreement (including but not limited to the waiver of punitive damages, waiver of jury trial, agreement to bring claims within one year, and agreement not to engage in class or common actions) that are incorporated by reference there from Section 27 of the attached franchise agreement. Among other things, that means that this Guarantee will be interpreted and construed exclusively under the laws of the State of California, and that in the event of any conflict of law, California law will prevail (without applying California conflict of law rules).

IN WITNESS WHEREOF, each of the undersigned persons has signed this Guarantee as of the date of the Agreement.

_____	_____	_____
(signed in his/her personal capacity)	(signed in his/her personal capacity)	(signed in his/her personal capacity)
Printed Name:_____	Printed Name:_____	Printed Name:_____
Date:_____	Date:_____	Date:_____
Home Address:	Home Address:	Home Address:
_____	_____	_____
_____	_____	_____

Country Waffles, Inc.
Area Development Agreement
Exhibit C
List of Principals

Name of Principal	Home Address	Percentage Interest Held in Area Developer

Initials

Franchisee

Franchisor

Exhibit D
Form of Franchise Agreement

EXHIBIT C List of State Administrators

We intend to register this disclosure document as a "franchise" in some or all of the following states, if required by the applicable state laws. If and when we pursue franchise registration (or otherwise comply with the franchise investment laws) in these states, the following are the state administrators responsible for the review, registration, and oversight of franchises in these states:

CALIFORNIA Dep't of Financial Protection & Innovation 320 West Fourth St., Suite 750 Los Angeles, CA 90013-2344 (213) 576-7500 / Toll Free: (866) 275-2677	**NEW YORK** Dep't of Law Investor Protection Bureau 28 Liberty St., 21st Floor New York, NY 10005 (212) 416-8236
HAWAII Commissioner of Securities Dep't of Commerce & Consumer Affairs Bus. Reg. Div., Securities Compliance Branch 335 Merchant St., Room 205 Honolulu, HI 96813 / (808) 586-2722	**NORTH DAKOTA** Securities Dep't State Capitol – Dep't 414 600 East Boulevard Av., Fifth Floor Bismarck, ND 58505-0510 (701) 328-4712
ILLINOIS Office of the Attorney General Franchise Bureau 500 South Second St. Springfield, IL 62706 (217) 782-4465	**RHODE ISLAND** Dep't of Business Regulation Securities Div., Building 69, First Floor John O. Pastore Center - 1511 Pontiac Av. Cranston, RI 02920 (401) 462-9527
INDIANA Secretary of State Franchise Section 302 West Washington, Room E-111 Indianapolis, IN 46204 (317) 232-6681	**SOUTH DAKOTA** Div. of Insurance Securities Regulation 124 South Euclid Av., Suite 104 Pierre, SD 57501 (605) 773-3563
MARYLAND Office of the Attorney General Securities Div. 200 St. Paul Place Baltimore, MD 21202-2020 (410) 576-6360	**VIRGINIA** State Corporation Commission Div. of Securities and Retail Franchising 1300 East Main St., 9th Floor Richmond, VA 23219 (804) 371-9051
MICHIGAN Attorney General's Office Corporate Oversight Div., Franchise Section 525 West Ottawa St., 1st Floor Lansing, MI 48913 (517) 335-7567	**WASHINGTON** Dep't of Financial Institutions Securities Div. – 3rd Floor 150 Israel Road, Southwest Tumwater, WA 98501 (360) 902-8760
MINNESOTA Dep't of Commerce 85 7th Place East, Suite 280 St. Paul, MN 55101 (651) 539-1600	**WISCONSIN** Div. of Securities 4822 Madison Yards Way, North Tower Madison, WI 53705 (608) 266-2139

EXHIBIT D List of Agents for Service of Process

We intend to register this disclosure document as a "franchise" in some or all of the following states, if required by the applicable state law. If and when we pursue franchise registration (or otherwise comply with the franchise investment laws) in these states, we will designate the following state offices or officials as our agents for service of process in these states:

CALIFORNIA Commissioner of Financial Protection & Innovation 320 West Fourth St., Suite 750 Los Angeles, CA 90013-2344 (213) 576-7500 / Toll Free: (866) 275-2677	**NEW YORK** Secretary of State One Commerce Plaza, 99 Washington Av., 6th Fl. Albany, NY 12231-0001 (518) 473-2492
HAWAII Commissioner of Securities of the State of Hawaii Dep't of Commerce & Consumer Affairs Bus. Reg. Div., Securities Compliance Branch 335 Merchant St., Room 205 Honolulu, HI 96813 / (808) 586-2722	**NORTH DAKOTA** Securities Commissioner State Capitol 600 East Boulevard Av., Fifth Floor Bismarck, ND 58505-0510 (701) 328-4712
ILLINOIS Attorney General 500 South Second St. Springfield, IL 62706 (217) 782-4465	**RHODE ISLAND** Director of Dep't of Business Regulation Securities Div., Building 69, First Floor John O. Pastore Center - 1511 Pontiac Av. Cranston, RI 02920 (401) 462-9527
INDIANA Secretary of State Franchise Section 302 West Washington, Room E-111 Indianapolis, IN 46204 (317) 232-6681	**SOUTH DAKOTA** Div. of Insurance Director of the Securities Regulation 124 South Euclid Av., Suite 104 Pierre, SD 57501 (605) 773-3563
MARYLAND Securities Commissioner 200 St. Paul Place Baltimore, MD 21202-2020 (410) 576-6360	**VIRGINIA** Clerk of the State Corporation Commission 1300 East Main St., 1st Floor Richmond, VA 23219 (804) 371-9733
MICHIGAN Attorney General's Office Corporate Oversight Div., Franchise Section 525 West Ottawa St., 1st Floor Lansing, MI 48913 (517) 335-7567	**WASHINGTON** Director of Dep't of Financial Institutions Securities Div. – 3rd Floor 150 Israel Road, Southwest Tumwater, WA 98501 (360) 902-8760
MINNESOTA Commissioner of Commerce 85 7th Place East, Suite 280 St. Paul, MN 55101 (651) 539-1600	**WISCONSIN** Div. of Securities 4822 Madison Yards Way, North Tower Madison, WI 53705 (608) 266-2139

The following is our current general release language that we expect to include in a release that a franchisee and/or transferor may sign as part of a renewal or an approved transfer. We have the right to periodically modify the release.

> Franchisee, its officers and directors, its owners, and their respective agents, heirs, administrators, successors, and assigns (the "Franchisee Group"), hereby forever release and discharge, and forever hold harmless Country Waffles, Inc., its current and former affiliates and predecessors, and their respective shareholders, partners, members, directors, officers, agents, representatives, heirs, administrators, successors, and assigns (the "Franchisor Group"), from any and all claims, demands, debts, liabilities, actions or causes of action, costs, agreements, promises, and expenses of every kind and nature whatsoever, at law or in equity, whether known or unknown, foreseen and unforeseen, liquidated or unliquidated, which the Franchisee Group and/or its owners had, have, or may have against any member of the Franchisor Group, including, without limitation, any claims or causes of action arising from, in connection with or in any way related or pertaining, directly or indirectly, to the Franchise Agreement, the relationship created by the Franchise Agreement, or the development, ownership, or operation of the Franchised Business.
>
> Each party represents and warrants to the others, and agrees, that it may later learn of new or different facts, but that still, it is that party's intention to fully, finally, and forever release all of the Demands that are released above. This includes the parties' waiver of state laws that might apply to limit a release (such as Calif. Civil Code Section 1542, which states that "[a] general release does not extend to claims that the creditor or releasing party does not know or suspect to exist in his or her favor at the time of executing the release and that, if known by him or her, would have materially affected his or her settlement with the debtor or released party.") The Franchisee Group further indemnifies and holds the Franchisor Group harmless against, and agrees to reimburse them for any loss, liability, expense, or damages (actual or consequential) including, without limitation, reasonable attorneys', accountants', and expert witness fees, costs of investigation and proof of facts, court costs, and other litigation and travel and living expenses, which any member of the Franchisor Group may suffer with respect to any claims or causes of action which any customer, creditor, or other third party now has, ever had, or hereafter would or could have, as a result of, arising from, or under the Franchise Agreement or the Franchised Business. The Franchisee Group and its owners represent and warrant that they have not asserted (nor made an assignment or any other transfer of any interest in) the claims, causes of action, suits, debts, agreements, or promises described above.

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Exhibit G-1

Audited Financial Statements for Fiscal Years Ended Dec. 31, 2022 and 2021

COUNTRY WAFFLES, INC.

FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITORS' REPORT

FOR THE YEARS ENDED
DECEMBER 31, 2022 AND 2021

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DG SM Dedekian, George, Small, & Markarian Accountancy Corporation

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Fresno, CA 93711

INDEPENDENT AUDITORS' REPORT

To the Stockholder
Country Waffles, Inc.
Bakersfield, California

Opinion

We have audited the accompanying financial statements of Country Waffles, Inc. (a California corporation), which comprise the balance sheets as of December 31, 2022 and 2021, and the related statements of income, changes in stockholder's equity, and cash flows for the years ended December 31, 2022 and 2021, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Country Waffles, Inc. as of December 31, 2022 and 2021, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

Responsibilities of Management for the Financial Statements (Continued)

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Country Waffles, Inc.'s internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Country Waffles, Inc.'s ability to continue as a going concern for a reasonable period of time.

Auditor's Responsibilities for the Audit of the Financial Statements (Continued)

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Dedekian, George, Small & Markarian

Dedekian, George, Small & Markarian
Accountancy Corporation
April 19, 2023

COUNTRY WAFFLES, INC.
BALANCE SHEETS
DECEMBER 31, 2022 AND 2021

	2022	2021
ASSETS		
Current assets:		
Cash	$ 19,660	$ 69,155
Certificate of deposit	225,009	-
Accounts and franchise fees receivable	68,315	39,090
Prepaid income taxes	1,454	254
Total current assets	314,438	108,499
	$ 314,438	$ 108,499
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued expenses	$ 15,360	$ 36,197
Contract liabilities - franchise fees	24,306	-
Current maturities of notes payable	153,998	111,224
Current maturities of notes payable - related parties	106,869	152,300
Total current liabilities	300,533	299,721
Notes payable, less current maturities - related parties	82,660	102,284
Total liabilities	383,193	402,005
Stockholders' equity:		
Common stock, no par value, 1,000 shares authorized 1,000 shares issued and outstanding	4,155	4,155
Additional paid-in capital	306,207	173,376
Accumulated deficit	(379,117)	(471,037)
Total stockholders' equity	(68,755)	(293,506)
	$ 314,438	$ 108,499

The accompanying notes are an integral part of these financial statements.

COUNTRY WAFFLES, INC.
STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022	2021
Revenues from services	$ 506,276	$ 422,879
Cost of services	43,987	72,550
Gross profit	462,289	350,329
Operating expenses	254,726	196,713
General and administrative	108,555	56,508
	363,281	253,221
Operating income	99,008	97,108
Other income (expense):		
Other income	669	29,904
Interest expense	(6,957)	(8,883)
Income before income taxes	92,720	118,129
Income taxes	800	3,605
Net income	$ 91,920	$ 114,524

The accompanying notes are an integral part of these financial statements.

COUNTRY WAFFLES, INC.
STATEMENTS OF CHANGES IN STOCKHOLDER'S EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

	Common Stock		Additional Paid-in Capital	Accumulated Deficit	Total
	Shares	Amount			
Balance, December 31, 2020	1,000	$ 4,155	$ 30,000	$ (585,561)	$ (551,406)
Net income	-	-	-	114,524	114,524
Shareholder contributions	-	-	143,376	-	143,376
Balance, December 31, 2021	1,000	$ 4,155	$ 173,376	$ (471,037)	$ (293,506)
Net income	-	-	-	91,920	91,920
Shareholder contributions	-	-	132,831	-	132,831
Balance, December 31, 2022	1,000	$ 4,155	$ 306,207	$ (379,117)	$ (68,755)

The accompanying notes are an integral part of these financial statements.

COUNTRY WAFFLES, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022	2021
Cash flows from operating activities:		
Net income	$ 91,920	$ 114,524
Adjustments to reconcile net income to net cash provided by operating activities:		
(Increase) decrease in assets:		
Accounts receivable and franchise fees receivable	(29,225)	(33,450)
Prepaid income taxes	(1,200)	1,193
Increase (decrease) in liabilities:		
Accounts payable and other accrued expenses	(20,837)	3,647
Contract liabilities	24,306	-
Net cash provided by operating activities	64,964	85,914
Cash flows from investing activities:		
Purchase of certificate of deposit	(225,000)	-
Earnings on certificate of deposit	(9)	-
Net cash used in investing activities	(225,009)	-
Cash flows from financing activities:		
Proceeds from notes payable	88,875	-
Payments on notes payable	(46,101)	(15,617)
Payments on notes payable, related parties	(65,055)	(154,372)
Contributions from stockholders	132,831	143,376
Net cash provided by (used in) financing activities	110,550	(26,613)
Net increase (decrease) in cash	(49,495)	59,301
Cash at beginning of year	69,155	9,854
Cash at end of year	$ 19,660	$ 69,155

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION

Cash paid during the year for:

Income taxes	$ 2,200	$ 3,184

The accompanying notes are an integral part of these financial statements.

1. SIGNIFICANT ACCOUNTING POLICIES

Organization

Country Waffles, Inc. (the "Company"), a California corporation, was incorporated on September 29, 1987, under the laws of the State of California. The primary purpose of the Company is to provide management and supervisory services to Country Waffles franchisees for fees based upon a percentage of the restaurants' revenue.

Basis of Accounting

The Company prepares its financial statements on the accrual basis of accounting.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Company considers cash in banks, cash on hand, and all highly liquid debt instruments with original maturities of three months or less to be cash equivalents.

Certificate of Deposit

Certificates of deposit held for investment that are not debt securities are considered investments, and are measured at cost rather than at fair value. Certificates of deposit with original maturities greater than three months and remaining maturities less than one year are classified as short-term investments. Certificates of deposit with remaining maturities greater than one year are classified as long-term investments.

Accounts Receivable and Allowance for Doubtful Accounts

Accounts receivable are recognized when a monthly franchise revenue report for each franchise location is available to the Company. An allowance for doubtful collections of these accrued fees is recorded when management believes they may not be fully collectible. Generally, this is done with specific known troubled accounts. In the opinion of management, no allowance is needed for the years ended December 31, 2022 and 2021.

Revenue

The Company executes franchise agreements that set the terms of its arrangement with each franchisee. The franchise agreements require the franchisee to pay an initial, non-refundable fee of $35,000 upon signing the agreement and continuing fees based upon a percentage of revenues reported by the franchisee. The Company accrues fees for the month it receives a franchisee revenue report and collection is reasonably assured.

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Advertising

The Company expenses advertising costs as they are incurred. Advertising expense was $0 for both of the years ended December 31, 2022 and 2021.

Income Taxes

The Company, with the consent of its shareholders, has elected under the Internal Revenue Code to be treated as an S corporation. In lieu of corporation income taxes, the shareholders of an S corporation are taxed on their proportionate share of the Company's taxable income. Therefore, no provision or liability for federal income taxes has been included in the financial statements. The Company is subject to franchise and income taxes in the state of California. The Company does pay California income tax at the rate of 1.5% on state taxable income (minimum of $800).

The Company is subject to examination by the Internal Revenue Service and California Franchise Tax Board for tax years ranging from 2018 to 2022.

The Company recognized no increase in the liability for unrecognized tax benefits. The Company has no tax position at December 31, 2022 for which the ultimate deductibility is highly certain but for which there is uncertainty about the timing of such deductibility. The Company recognizes interest accrued related to unrecognized tax benefits in interest expense and penalties in administrative services expense. During the years ended December 31, 2022 and 2021, the Company's interest and penalties recognized were not material. The Company had no accruals for interest and penalties at December 31, 2022 and 2021.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Related Parties

Bueno Bonito Barrato, Inc. is a corporation wholly owned by the sole stockholder of the Company and members of his family. The Corporation is a distributor that in prior years offered food, equipment and restaurant supplies to the franchisees of Country Waffles.

Recently Adopted Accounting Pronouncements

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842), which supersedes existing guidance for accounting for leases under Topic 840, Leases. The FASB also subsequently issued the following additional ASUs, which amend and clarify Topic 842: ASU 2018-01, Land Easement Practical Expedient for Transition to Topic 842; ASU 2018-10, Codification Improvements to Topic 842, Leases; ASU 2018-11, Leases (Topic 842): Targeted Improvements; ASU 2018-20, Narrow-scope Improvements for Lessors; and ASU 2019-01, Leases (Topic 842): Codification Improvements. The most significant change in the new leasing guidance is the requirement to recognize right-to-use (ROU) assets and lease liabilities for operating leases on the balance sheet.

The Company adopted Topic 842 on January 1, 2022, utilizing an optional transition method, which allowed the recognition of a cumulative effect adjustment to the opening balance of retained earnings on the initial date of adoption and the application of new disclosure requirements beginning in the period of adoption. The Company also elected the available practical expedients. These included transition elections that permitted the Company to not reassess prior conclusions about lease identification, lease classification, and initial direct costs for existing or expired leases, as well as not assessing existing land easements under the new standard. In addition, the Company adopted ongoing accounting policies to not recognize right-of-use (ROU) assets and lease liabilities for leasing arrangements with terms of less than one year, to not separate lease and non-lease components for all classes of underlying asset and using the risk-free rate as the discount rate for all classes of underlying assets unless the rate implicit in the lease is readily available.

Adoption of the new standard did not materially impact the Company's net income and had no impact on cash flows.

2. CONCENTRATION OF CREDIT RISK

The Company maintains cash balances at Wells Fargo bank. Accounts at this institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000 each. At December 31, 2022, the Company's cash in the listed financial institutions were not in excess of FDIC limits.

2. CONCENTRATION OF CREDIT RISK (CONTINUED)

Accounts receivable result from franchise and related fees earned in servicing franchisees and are unsecured. The franchises are located, generally, throughout California. At December 31, 2022 and 2021, approximately 17% and 30%, respectively, of the Company's accounts receivable were from one franchisee.

For the years ended December 31, 2022 and 2021, one franchisee accounted for $139,957 or 32% and $119,089 or 31%, respectively, of the Company's franchise, administration, and advertising fees revenue.

3. NOTES PAYABLE – RELATED PARTIES

Notes payable – related parties consists of the following:

	2022	2021
Note payable to Bueno Bonito Barrato, Inc. for $130,000. The note is non-interest bearing, due on demand, and unsecured.	$ -	$ 56,000
Note payable to George Ghazale for $96,300. The note is non-interest bearing, due on demand, and unsecured.	96,300	96,300
Note payable to Bueno Bonito Barrato, Inc. for $120,000, payable in monthly installments of $1,400, including interest at 7.11%, maturity date December 1, 2029, unsecured.	93,229	102,284
	189,529	254,584
Less current maturities	106,869	152,300
	$ 82,660	$ 102,284

The annual maturities of notes payable – related parties over the next five years are as follows:

2023	$ 106,869
2024	11,345
2025	12,179
2026	13,074
2027	14,034
Thereafter	32,028
	$ 189,529

4. NOTES PAYABLE

Notes payable consists of the following:

	2022	2021
Note payable to Universal Park for $42,000. The note is non-interest bearing, due on demand, and unsecured.	$ 26,383	$ 26,383
Note payable to Trinity System Group, Inc. for $88,841. The note is non-interest bearing, due on demand, and unsecured.	127,615	84,841
	153,998	111,224
Less current maturities	153,998	111,224
	$ -	$ -

5. REVENUE RECOGNITION

The Company executes franchise agreements that set the terms of its arrangement with each franchisee. The franchise agreements require the franchisee to pay an initial, non-refundable fee of $35,000 upon signing and continuing fees based upon a percentage of revenues reported by the franchisee. The initial term of the franchise agreement varies and is established with each franchisee. When an individual franchise is sold, the Company agrees to provide certain services to the franchisee, including site selection, training, opening assistance, printed materials, operations manual, and consultations.

Subject to the Company's approval, a franchisee may generally renew its agreement upon its expiration. Direct costs of sales of franchise and license agreements are recognized over the term of the agreement. These costs are recognized as contract assets. The Company records a liability for franchise fees that have yet to be earned for the term of the franchise agreement. These liabilities are recognized as contract liabilities.

Under Topic 605, initial franchise fees paid by franchisees for each arrangement were deferred until the franchise office opened and were recognized as revenue in their entirety on that date and related broker fees and sales commissions were expensed as incurred. Upon adoption of Topic 606, the Company determined that the initial franchise fees, broker fees and sales commissions related to its franchise agreements would be deferred and recognized on a straight line basis over the duration of the agreement, as this ensures that revenue and cost recognition aligns with the franchisee's access to the franchise right.

5. REVENUE RECOGNITION (CONTINUED)

Effective January 1, 2021, the Company has elected to adopt the practical expedient from ASU 2021-02 (see Note 1). ASU 2021-02 allows franchisors that are non-public entities to account for pre-opening services provided to the franchisee as distinct from the franchise license if the services are included in a predefined list set forth within the amendments. Revenues associated with the pre-opening services are recognized in the year they are incurred.

Contract Balances

Information about contract balances subject to Topic 606 consists of the following:

	December 31, 2022	December 31, 2021
Contract Assets	$ -	$ -
Contract Liabilities	$ 24,306	$ -

Disaggregation of Revenue from Contracts with Customers

The following table disaggregates the Company's revenue based on the timing of satisfaction of performance obligations:

	December 31, 2022	December 31, 2021
Services transferred at a point in time	$ 505,582	$ 422,879
Services transferred over time	694	-
	$ 506,276	$ 422,879

Revenue from services transferred at a point in time consists primarily of monthly fees reported by franchisees.

Revenue from services transferred over time consists of initial franchise fee revenue recognized over the term of the franchise agreement.

5. REVENUE RECOGNITION (CONTINUED)

Performance Obligations

For services transferred at a point in time related to monthly fees from franchisees, revenue is recognized for the month the Company receives a franchisee revenue report and collection is reasonably assured.

For services transferred over time related to initial franchise fees, the right to operate the franchise is recognized by the franchisor over the term of the agreement and is treated as a single performance obligation.

The Company does not have any significant financing components as payment is typically received shortly after services are provided.

There are two items involving revenue recognition of contracts that require the Company to make subjective judgments: the determination of which performance obligations are distinct within the context of the overall contract and the estimated standalone selling price of each obligation.

The Company does not disclose the value of unsatisfied performance obligations for 1) contracts with an original expected length of one year or less and 2) contracts for which they recognize revenue at the amount to which they have the right to invoice for services performed.

Variable Consideration

The Company's franchise agreements do not include a variable consideration component.

6. INCOME TAXES

Income taxes consist of current state tax expense for each of the years ended December 31, 2022 and 2021.

7. RELATED PARTY TRANSACTIONS

The Company leases office space from Bueno Bonito Barrato, Inc. on a month-to-month basis. Rent expense was $79,200 for each of the years ended December 31, 2022 and 2021.

8. LEASE COMMITMENTS

The Company leases certain buildings and equipment. The determination of whether an arrangement is a lease is made at the lease's inception. Under ASC 842, a contract is (or contains) a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is defined under the standard as having both the right to obtain substantially all of the economic benefits from use of the asset and the right to direct the use of the asset. Management only reassesses its determination if the terms and conditions of the contract are changed.

Operating leases are included in operating lease right-of-use ("ROU") assets and operating lease liabilities in the balance sheets. Finance leases are included in finance lease right-of-use assets and finance lease liabilities in the balance sheets.

ROU assets represent the Company's right to use an underlying asset for the lease term, and lease liabilities represent the Company's obligation to make lease payments. Operating lease ROU assets and liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. The Company uses the implicit rate when it is readily determinable. Since most of the Company's leases do not provide an implicit rate, to determine the present value of lease payments, management uses the risk-free discount rate based on the information available at lease commencement. Operating lease ROU assets also includes any lease payments made and excludes any lease incentives. Lease expense for lease payments is recognized on a straight-line basis over the lease term. The Company's lease terms may include options to extend or terminate the lease when it is reasonably certain that they will exercise the option.

Certain of the lease agreements include variable payments which are reimbursements to the lessor for expenses related to common area maintenance of leased office facilities. The Company's share is determined on a percentage of square footage of space leased compared to the total property square footage. The estimated charges are provided to the Company at the beginning of the lease anniversary term and is reconciled to the actual charges at the end of the anniversary date. The amounts are not determinable at the lease commencement and are not included in the measurement of the lease asset and liabilities. The lease agreements do not contain any material residual value guarantees or material restrictive covenants. The Company accounts for the lease and non-lease components as a single lease.

8. LEASE COMMITMENTS (CONTINUED)

The Company has elected to apply the short-term lease exception to all leases with a term of one year or less.

The following summarizes the line items in the income statements which include the components of lease expense for the year ended:

	December 31, 2022
Short-term leases included in operating expenses	$ 79,200
Total lease costs	$ 79,200

9. SUBSEQUENT EVENTS

The Company has evaluated subsequent events through April 19, 2023, the date which the financial statements were available to be issued.

Exhibit G-2

Audited Financial Statements for Fiscal Year Ended Dec. 31, 2021 and 2020

COUNTRY WAFFLES, INC.

FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITORS' REPORT

FOR THE YEARS ENDED
DECEMBER 31, 2021 AND 2020

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Dedekian, George, Small, & Markarian
Accountancy Corporation

(559) 431-5500
www.cpaplus.com
8050 N. Palm, Suite 106
Fresno, CA 93711

INDEPENDENT AUDITORS' REPORT

To the Stockholder
Country Waffles, Inc.
Bakersfield, California

Opinion

We have audited the accompanying financial statements of Country Waffles, Inc. (a California corporation), which comprise the balance sheets as of December 31, 2021 and 2020, and the related statements of income, changes in stockholder's equity, and cash flows for the years ended December 31, 2021 and 2020, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Country Waffles, Inc. as of December 31, 2021 and 2020, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

Responsibilities of Management for the Financial Statements (Continued)

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Country Waffles, Inc.'s internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Country Waffles, Inc.'s ability to continue as a going concern for a reasonable period of time.

Auditor's Responsibilities for the Audit of the Financial Statements (Continued)

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Dedekian, George, Small & Markarian

Dedekian, George, Small & Markarian
Accountancy Corporation
April 29, 2022

COUNTRY WAFFLES, INC.
BALANCE SHEETS
DECEMBER 31, 2021 AND 2020

	2021	2020
ASSETS		
Current assets:		
Cash	$ 69,155	$ 9,854
Accounts and franchise fees receivable	39,090	5,640
Prepaid income taxes	254	1,447
Total current assets	108,499	16,941
	$ 108,499	$ 16,941
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued expenses	$ 36,197	$ 32,550
Current maturities of notes payable	111,224	126,841
Current maturities of notes payable - related parties	152,300	306,672
Total current liabilities	299,721	466,063
Notes payable, less current maturities - related parties	102,284	102,284
Total liabilities	402,005	568,347
Stockholders' equity:		
Common stock, no par value, 1,000 shares authorized 1,000 shares issued and outstanding	4,155	4,155
Additional paid-in capital	173,376	30,000
Accumulated deficit	(471,037)	(585,561)
Total stockholders' equity	(293,506)	(551,406)
	$ 108,499	$ 16,941

The accompanying notes are an integral part of these financial statements.

COUNTRY WAFFLES, INC.
STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

	2021	2020
Revenues from services	$ 422,879	$ 193,250
Cost of services	72,550	38,805
Gross profit	350,329	154,445
Operating expenses	196,713	27,292
General and administrative	56,508	20,588
	253,221	47,880
Operating income	97,108	106,565
Other income (expense):		
Other income	29,904	-
Interest expense	(8,883)	(29,657)
Income before income taxes	118,129	76,908
Income taxes	3,605	1,571
Net income	$ 114,524	$ 75,337

The accompanying notes are an integral part of these financial statements.

COUNTRY WAFFLES, INC.
STATEMENTS OF CHANGES IN STOCKHOLDER'S EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

	Common Stock		Additional Paid-in Capital	Accumulated Deficit	Total
	Shares	Amount			
Balance, December 31, 2019	1,000	$ 4,155	$ 30,000	$ (441,847)	$ (407,692)
Net income	-	-	-	75,337	75,337
Shareholder distributions	-	-	-	(219,051)	(219,051)
Balance, December 31, 2020	1,000	$ 4,155	$ 30,000	$ (585,561)	$ (551,406)
Net income	-	-	-	114,524	114,524
Shareholder contributions	-	-	143,376	-	143,376
Balance, December 31, 2021	1,000	$ 4,155	$ 173,376	$ (471,037)	$ (293,506)

The accompanying notes are an integral part of these financial statements.

COUNTRY WAFFLES, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

	2021	2020
Cash flows from operating activities:		
Net income	$ 114,524	$ 75,337
Adjustments to reconcile net income to net cash provided by operating activities:		
(Increase) decrease in assets:		
Accounts receivable and franchise fees receivable	(33,450)	37,898
Prepaid income taxes	1,193	800
Increase (decrease) in liabilities:		
Accounts payable and other accrued expenses	3,647	(10,109)
Net cash provided by operating activities	85,914	103,926
Cash flows from financing activities:		
Proceeds from notes payable	-	-
Payments on notes payable	(15,617)	(4,000)
Proceeds from notes payable, related parties	-	120,000
Payments on notes payable, related parties	(154,372)	(8,544)
Contributions from stockholders	143,376	-
Distributions to stockholders	-	(219,051)
Net cash used in financing activities	(26,613)	(111,595)
Net increase in cash	59,301	(7,669)
Cash at beginning of year	9,854	17,523
Cash at end of year	$ 69,155	$ 9,854

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION

Cash paid during the year for:

Income taxes	$ 3,184	$ 800

The accompanying notes are an integral part of these financial statements.

1. SIGNIFICANT ACCOUNTING POLICIES

Organization

Country Waffles, Inc. (the "Company"), a California corporation, was incorporated on September 29, 1987, under the laws of the State of California. The primary purpose of the Company is to provide management and supervisory services to Country Waffles franchisees for fees based upon a percentage of the restaurants' revenue.

Basis of Accounting

The Company prepares its financial statements on the accrual basis of accounting.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Company considers cash in banks, cash on hand, and all highly liquid debt instruments with original maturities of three months or less to be cash equivalents.

Accounts Receivable and Allowance for Doubtful Accounts

Accounts receivable are recognized when a monthly franchise revenue report for each franchise location is available to the Company. An allowance for doubtful collections of these accrued fees is recorded when management believes they may not be fully collectible. Generally, this is done with specific known troubled accounts. In the opinion of management, no allowance is needed for the years ended December 31, 2021 and 2020.

Revenue

The Company executes franchise agreements that set the terms of its arrangement with each franchisee. The franchise agreements require the franchisee to pay an initial, non-refundable fee of $35,000 upon signing the agreement and continuing fees based upon a percentage of revenues reported by the franchisee. The Company accrues fees for the month it receives a franchisee revenue report and collection is reasonably assured.

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Advertising

The Company expenses advertising costs as they are incurred. Advertising expense for the years ended December 31, 2021 and 2020, was $0 and $375, respectively.

Income Taxes

The Company, with the consent of its shareholders, has elected under the Internal Revenue Code to be treated as an S corporation. In lieu of corporation income taxes, the shareholders of an S corporation are taxed on their proportionate share of the Company's taxable income. Therefore, no provision or liability for federal income taxes has been included in the financial statements. The Company is subject to franchise and income taxes in the state of California. The Company does pay California income tax at the rate of 1.5% on state taxable income (minimum of $800).

The Company is subject to examination by the Internal Revenue Service and California Franchise Tax Board for tax years ranging from 2017 to 2021.

The Company recognized no increase in the liability for unrecognized tax benefits. The Company has no tax position at December 31, 2021 for which the ultimate deductibility is highly certain but for which there is uncertainty about the timing of such deductibility. The Company recognizes interest accrued related to unrecognized tax benefits in interest expense and penalties in administrative services expense. During the years ended December 31, 2021 and 2020, the Company's interest and penalties recognized were not material. The Company had no accruals for interest and penalties at December 31, 2021 and 2020.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Related Parties

Fresh Ready To Go, Inc. is a corporation wholly owned by the sole stockholder of the Company. The Corporation was a franchisee that operated a Country Waffles restaurant in Fresno, California until February 2020.

Bueno Bonito Barrato, Inc. is a corporation wholly owned by the sole stockholder of the Company and members of his family. The Corporation is a distributor that in prior years offered food, equipment and restaurant supplies to the franchisees of Country Waffles.

Recently Adopted Accounting Pronouncements

In January 2021, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2021-02, *Franchisors – Revenue from Contracts from Customers: Practical Expedient*, an amendment to Accounting Standards Codification (ASC) 606, *Revenue from Contracts with Customers*. ASU 2021-02 allows franchisors that are non-public entities to account for pre-opening services provided to the franchisee as distinct from the franchise license if the services are included in a predefined list set forth within the amendments. The Company has elected to adopt the practical expedient from ASU 2021-02, effective January 1, 2021. The Company has determined that its pre-opening services are included in the predefined list included in ASU 2021-02 and has made an accounting policy election to account for its pre-opening services as a single performance obligation effective January 1, 2021. Revenues associated with the pre-opening services are recognized in the year they are incurred. The cumulative effect on the Company's retained earnings is considered to be immaterial.

2. CONCENTRATION OF CREDIT RISK

The Company maintains cash balances at Wells Fargo bank. Accounts at this institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000 each. At December 31, 2021, the Company's cash in the listed financial institutions were not in excess of FDIC limits.

Accounts receivable result from franchise and related fees earned in servicing franchisees and are unsecured. The franchises are located, generally, throughout California. At December 31, 2020, approximately 30% of the Company's accounts receivable were from one franchisee. At December 31, 2021, there were no concentrations of accounts receivable.

For the years ended December 31, 2021 and 2020, one franchisee accounted for $119,089 or 31% and $70,470, or 41%, respectively, of the Company's franchise, administration, and advertising fees revenue.

3. NOTES PAYABLE – RELATED PARTIES

Notes payable – related parties consists of the following:

	2021	2020
Note payable to Fresh Ready to Go for $82,500. The note is non-interest bearing, due on demand, and unsecured.	$ -	$ 82,500
Note payable to Bueno Bonito Barrato, Inc. for $130,000. The note is non-interest bearing, due on demand, and unsecured.	56,000	130,000
Note payable to George Ghazale for $96,300. The note is non-interest bearing, due on demand, and unsecured.	96,300	85,000
Note payable to Bueno Bonito Barrato, Inc. for $120,000, payable in monthly installments of $1,400, including interest at 7.11%, maturity date December 1, 2029, unsecured.	102,284	111,456
	254,584	408,956
Less current maturities	152,300	306,672
	$ 102,284	$ 102,284

The annual maturities of notes payable – related parties over the next five years are as follows:

2022	$ 162,146
2023	10,569
2024	11,345
2025	12,179
2026	13,074
Thereafter	45,271
	$ 254,584

4. NOTES PAYABLE

Notes payable consists of the following:

	2021	2020
Note payable to Universal Park for $42,000. The note is non-interest bearing, due on demand, and unsecured.	$ 26,383	$ 42,000
Note payable to Trinity System Group, Inc. for $88,841. The note is non-interest bearing, due on demand, and unsecured.	84,841	88,841
	111,224	130,841
Less current maturities	111,224	130,841
	$ -	$ -

5. REVENUE RECOGNITION

The Company executes franchise agreements that set the terms of its arrangement with each franchisee. The franchise agreements require the franchisee to pay an initial, non-refundable fee of $25,000 upon signing and continuing fees based upon a percentage of revenues reported by the franchisee. The initial term of the franchise agreement varies and is established with each franchisee. When an individual franchise is sold, the Company agrees to provide certain services to the franchisee, including site selection, training, opening assistance, printed materials, operations manual, and consultations.

Subject to the Company's approval, a franchisee may generally renew its agreement upon its expiration. Direct costs of sales of franchise and license agreements are recognized over the term of the agreement. These costs are recognized as contract assets. The Company records a liability for franchise fees that have yet to be earned for the term of the franchise agreement. These liabilities are recognized as contract liabilities.

Under Topic 605, initial franchise fees paid by franchisees for each arrangement were deferred until the franchise office opened and were recognized as revenue in their entirety on that date and related broker fees and sales commissions were expensed as incurred. Upon adoption of Topic 606, the Company determined that the initial franchise fees, broker fees and sales commissions related to its franchise agreements would be deferred and recognized on a straight line basis over the duration of the agreement, as this ensures that revenue and cost recognition aligns with the franchisee's access to the franchise right.

5. REVENUE RECOGNITION (CONTINUED)

Effective January 1, 2021, the Company has elected to adopt the practical expedient from ASU 2021-02 (see Note 1). ASU 2021-02 allows franchisors that are non-public entities to account for pre-opening services provided to the franchisee as distinct from the franchise license if the services are included in a predefined list set forth within the amendments. Revenues associated with the pre-opening services are recognized in the year they are incurred.

Disaggregation of Revenue from Contracts with Customers

The following table disaggregates the Company's revenue based on the timing of satisfaction of performance obligations:

	December 31, 2021	December 31, 2020
Services transferred at a point in time	$ 422,879	$ 193,250
Services transferred over time	-	-
	$ 422,879	$ 193,250

Revenue from services transferred at a point in time consists primarily of monthly fees reported by franchisees.

Revenue from services transferred over time consists of initial franchise fee revenue recognized over the term of the franchise agreement.

Performance Obligations

For services transferred at a point in time related to monthly fees from franchisees, revenue is recognized for the month the Company receives a franchisee revenue report and collection is reasonably assured.

For services transferred over time related to initial franchise fees, the right to operate the franchise is recognized by the franchisor over the term of the agreement and is treated as a single performance obligation.

The Company does not have any significant financing components as payment is typically received shortly after services are provided.

5. REVENUE RECOGNITION (CONTINUED)

Performance Obligations (Continued)

There are two items involving revenue recognition of contracts that require the Company to make subjective judgments: the determination of which performance obligations are distinct within the context of the overall contract and the estimated standalone selling price of each obligation.

The Company does not disclose the value of unsatisfied performance obligations for 1) contracts with an original expected length of one year or less and 2) contracts for which they recognize revenue at the amount to which they have the right to invoice for services performed.

Variable Consideration

The Company's franchise agreements do not include a variable consideration component.

6. INCOME TAXES

Income taxes consist of current state tax expense for each of the years ended December 31, 2021 and 2020.

7. LEASE COMMITMENTS

The Company leased office facilities under a long-term operating arrangement. This lease was classified as an operating lease and included in operating expense. The following is a summary of these leases:

Description	Monthly payment range	Lease expiration range
Office facilities	$120 - $2,325	2019 - 2020

The office facilities lease required the Company to pay all maintenance, insurance, and taxes on the leased property.

Rent expense associated with the above operating lease totaled $0 and $1,710 for the years ended December 31, 2021 and 2020, respectively.

7. LEASE COMMITMENTS (CONTINUED)

The Company was also obligated under noncancellable operating leases relating to real property on the behalf of 3 franchise locations. These leases were assigned or subleased to the franchisee or related party. The Company either paid the rent directly to the lessor or the other parties aforementioned made lease payments directly to the lessors. In each case, the Company was obligated to make the lease payments if the franchisee or related party of the sublease did not. These leases were generally for five to twenty years and provide for both a minimum rent and a percentage rent which is based on gross sales by the related restaurant. The following is a summary of these leases:

Description	Monthly payment range	Lease expiration range
Franchise locations	$6,365 - $8,220	2019 – 2020

Rent expense associated with the above franchise operating leases totaled $0 and $10,500 for the years ended December 31, 2021 and 2020, respectively.

8. SUBSEQUENT EVENTS

The Company has evaluated subsequent events through April 29, 2022, the date which the financial statements were available to be issued.

State-Specific Disclosures
and
State-Specific Amendments to Franchise Agreement

California Disclosure Addendum

In recognition of the requirements of the California Franchise Investment Law, Cal. Corp. Code §§ 31000-31516, and the California Franchise Relations Act, Cal. Bus. & Prof. Code §§ 20000-20043, the Disclosure Document for Country Waffles, Inc. in connection with the offer and sale of franchises for use in the State of California is amended to include the following:

1. Our website, www.countrywaffles.com, has not been reviewed or approved by the California Dep't of Financial Protection & Innovation. Any complaints concerning the content of the website may be directed to the California Dep't of Financial Protection & Innovation at www.dfpi.ca.gov.

2. 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.

3. SECTION 31125 OF THE CALIFORNIA CORPORATIONS CODE REQUIRES US TO GIVE YOU A DISCLOSURE DOCUMENT, IN A FORM CONTAINING THE INFORMATION THAT THE COMMISSIONER MAY BY RULE OR ORDER REQUIRE, BEFORE A SOLICITATION OF A PROPOSED MATERIAL MODIFICATION OF AN EXISTING FRANCHISE.

4. YOU MUST SIGN A GENERAL RELEASE IF YOU RENEW OR TRANSFER YOUR FRANCHISE. CALIFORNIA CORPORATIONS CODE § 31512 VOIDS A WAIVER OF YOUR RIGHTS UNDER THE FRANCHISE INVESTMENT LAW (CALIFORNIA CORPORATIONS CODE §§ 31000 THROUGH 31516). BUSINESS AND PROFESSIONS CODE § 20010 VOIDS A WAIVER OF YOUR RIGHTS UNDER THE FRANCHISE RELATIONS ACT (BUSINESS AND PROFESSIONS CODE §§ 20000 THROUGH 20043).

5. In Item 3, "Litigation," is amended by adding the following paragraphs:

   Pursuant to California law, this Item does not include any information regarding the arrest of any person(s) that did not result in a conviction or plea of nolo contendere.

   Neither we, nor any person identified in Item 2 above, is subject to any currently effective order of any national securities association or national securities exchange (as defined in the Securities and Exchange Act of 1934, 15 U.S.C. § 78a, et seq.) suspending or expelling such person from membership in such association or exchange.

6. Item 5, "Initial Fees" and Item 7, "Estimated Initial Investment," are amended by the addition of the following language:

   Based upon our financial condition, the California Department of Financial Protection and Innovation has required a financial assurance. We are required to defer all initial fees and payments you owe to us until we complete our pre-opening obligations under the Franchise Agreement and you have begun operations. In addition, all development fees and initial payments by developers shall be deferred until the first Restaurant under the Development Agreement opens.

7. Item 17, “Renewal, Termination, Transfer and Dispute Resolution,” is amended by adding the following paragraphs at the conclusion of the Item:

   California Business and Professions Code Sections 20000 through 20043 provide rights to the Franchisee concerning termination, transfer, or non-renewal of a franchise. If the Franchise Agreement contains a provision that is inconsistent with the law, the law will control.

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

   You must sign a general release if you renew or transfer your franchise. California Corporations Code § 31512 voids a waiver of your rights under the Franchise Investment Law (California Corporations Code §§ 31000 through 31516). Business and Professions Code § 20010 voids a waiver of your rights under the Franchise Relations Act (Business and Professions Code §§ 20000 through 20043).

   No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

8. The Franchise Disclosure Document is amended to include the following:

   Section 31125 of the California Corporations Code requires us to give you a disclosure document, in a form containing the information that the commissioner may by rule or order require, before a solicitation of a proposed material modification of an existing franchise.

9. **The registration of this franchise offering by the California Department of Financial Protection and Innovation does not constitute approval, recommendation, or endorsement by the commissioner.**

10. Franchisees must sign a personal guarantee, making you and your spouse individually liable for your financial obligations under the agreement if you are married. The guarantee will place your and your spouse’s marital and personal assets at risk, perhaps including your house, if your franchise fails.

11. 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.

12. This addendum will apply only if the California Franchise Investment Law or the California Franchise Relations Act would apply independently without referring to this addendum.

California Franchise Agreement Amendment

In recognition of the requirements of the California's Franchise Investment Law and the California Franchise Relations Act, the parties to the attached Country Waffles, Inc. Franchise Agreement (the "**Agreement**") agree as follows:

1. Section 4.1 of the Agreement, under the heading "Fees," is amended by adding the following language:

   Franchisor will defer collection of the Initial Franchise Fee due under this Agreement until Franchisor has completed all of its pre-opening obligations under this Agreement and Franchisee has opened the Franchised Business.

2. Each provision of this Amendment to the Agreement shall be effective only to the extent that the jurisdictional requirements of the California Franchise Investment Law or the California Franchise Relations Act are met independently with respect to each such provision and without reference to this Amendment to the Agreement.

IN WITNESS WHEREOF, the parties have signed and delivered this California amendment to the Franchise Agreement on the same date as the Franchise Agreement was executed.

Country Waffles, Inc.	_____ **[Franchisee]**
By: _____	By: _____
Name: _____	Name: _____
Title: _____	Title: _____

California Development Agreement Amendment

In recognition of the requirements of the California's Franchise Investment Law and the California Franchise Relations Act, the parties to the attached Country Waffles, Inc. Development Agreement (the "**Agreement**") agree as follows:

1. Section 4 of the Agreement, under the heading "Fees and Credits," is amended by adding the following language:

   Notwithstanding anything to the contrary in Section 4, you will not be required to pay the Development Fee to us until the day that your first Restaurant is open for business and we have fulfilled all of our pre-opening obligations for that Restaurant.

2. Each provision of this Amendment to the Agreement shall be effective only to the extent that the jurisdictional requirements of the California Franchise Investment Law or the California Franchise Relations Act are met independently with respect to each such provision and without reference to this Amendment to the Agreement.

IN WITNESS WHEREOF, the parties have signed and delivered this California amendment to the Development Agreement on the same date as the Development Agreement was executed.

Country Waffles, Inc.	_____ **[Franchisee]**
By: _____	By: _____
Name: _____	Name: _____
Title: _____	Title: _____

EXHIBIT I **List of Current and Former Franchisees**

Current franchisees as of our fiscal year ended Dec. 31, 2022:

Franchisee	Address	City	State	Zip	Store Phone
Prestige Foods LLC	15900 Monterey Road	Morgan Hill	CA	95037	408-270-3900
Kearney CW Enterprises, Inc.	5865 Lone Tree Way Ste A	Antioch	CA	94531	925-779-0134
Dennis Neves, Inc.	2485 Notre Dame Blvd #800	Chico	CA	95928	530-345-9905
Tofanelli Enterprises, Inc.	6986 Sunrise Blvd	Citrus Heights	CA	95610	916-722-0465
Kearney CW Enterprises, Inc.	5435 Clayton Rd Ste B	Clayton	CA	94517	925-673-0943
Kearney CW Enterprises, Inc.	7274 San Ramon Road	Dublin	CA	94568	925-833-9077
Gina Figueroa	3050 W Shaw Ave Ste 101	Fresno	CA	93711	559-271-3089
The Breakfast Group Inc	7141 N Cedar Ave Ste 101	Fresno	CA	93720	559-297-5217
Teri Meher LLC	30182 Industrial Parkway SW	Hayward	CA	94544	510-429-9100
ECE Group USA LLC	6049 Northfront Rd #104	Livermore	CA	94551	925-294-9630
Kearney CW Enterprises, Inc.	1803 Holmes Ave	Livermore	CA	94550	925-443-9904
Dave Duncan	845 W Pacheco Blvd	Los Banos	CA	93635	209-827-0805
Salley Costa	1794 W. Olive Ave	Merced	CA	95348	209-726-7822
Velasquez Nieves	2300 Athens Ave	Redding	CA	96001	530-247-1366
Maria Wafford	9350 Clairemont Mesa Blvd Suite C & D	San Diego	CA	92123	619-223-2225
Tracey Hansen	383 W Main St Ste A	Woodland	CA	95695	530-668-4920

Former franchisees as of our fiscal year ended Dec. 31, 2022 (and those with whom we have not communicated during the 10 weeks before the issuance of this disclosure document)

None.

EXHIBIT J **List of Company-Owned Restaurants**

Current company-owned Restaurants as of our fiscal year ended Dec. 31, 2022:

None.

STATE EFFECTIVE DATES

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

This Franchise Disclosure Document is registered, on file, or exempt from registration in the following states having franchise registration and disclosure laws, with the following effective dates:

STATE	EFFECTIVE DATE

Other states may require registration, filing, or exemption of a franchise under other laws, such as those that regulate the offer and sale of business opportunities or seller-assisted marketing plans.

EXHIBIT L **Item 23 Receipt**

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

If Country Waffles, Inc. ("**CWI**") offers you a franchise, it must provide this disclosure document to you: (a) 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; (b) in New York, at the earlier of: (i) your first personal meeting to discuss the franchise, or (ii) 10 business days before you sign a binding agreement with, or make payment to, us or an affiliate in connection with the proposed franchise sale; (c) in Iowa, at the earlier of: (i) your first personal meeting to discuss the franchise; or (ii) 14 days before you sign a binding agreement with, or make payment to, us or an affiliate in connection with the proposed franchise sale; or (d) in Michigan, at least 10 business days before the earlier of when you sign a binding franchise or other agreement or pay any consideration to us (or an affiliate of ours).

If CWI 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 to your state authority listed on Exhibit C.

The franchisor is Country Waffles, Inc., 4011 Jewett Avenue, Bakersfield, California 93301 (559.819.0099). The franchise seller is: Joe T. Ghazale at Country Waffles, Inc., 4011 Jewett Avenue, Bakersfield, California 93301 (559.819.0099). Any additional individual franchise sellers involved in offering the franchise are:_____.

The issuance date of this Franchise Disclosure Document is April 19, 2023. CWI authorizes the agents listed in Exhibit C to receive service of process for us.

I received a disclosure document dated April 19, 2023 that included the following exhibits:

A	Franchise Agreement with Exhibits	H	State-Specific Addenda
B	Development Agreement with Exhibits	I	List of Current and Former Franchisees
C	List of State Administrators	J	List of Affiliate-Owned Restaurants
D	List of Agents for Service of Process	K	State Effective Dates
E	Form of General Release	L	Item 23 Receipts
F	Table of Contents to Brand Manual		
G	Audited Financial Statements		

_____
Date Received

_____
Prospective Franchisee

_____
Name (Please print)

_____

_____
Address

Please keep this copy of the receipt with your FDD

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Prospective Franchisee

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Address

Please sign, date, and return this copy of the receipt to CWI