FRANCHISE DISCLOSURE DOCUMENT

INCLUDING

FRANCHISE AGREEMENT

AND

AREA DEVELOPMENT AGREEMENT

FAJITA PETE'S FRANCHISING LLC

FRANCHISE DISCLOSURE DOCUMENT

Fajita Pete's Franchising LLC
A Texas Limited Liability Company
6719 Weslayan Street
Houston, Texas 77005
(281) 800-7774
info@fajitapetes.com
www.fajitapetes.com

As a franchisee, you will operate a restaurant and catering business featuring home delivery of fajitas and other Tex-Mex dishes, along with related products and services under the name "Fajita Pete's."

The total investment necessary to begin operation of a franchised Fajita Pete's business ranges from $194,500 to $667,700. This includes $40,000 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 Joseph P. Eguia, Fajita Pete's Franchising LLC, 6719 Weslayan Street, Houston, Texas 77005, (281) 800-7774, info@fajitapetes.com.

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 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 ("FTC"). You can contact the FTC at 1-877-FTC-HELP or by writing to the FTC at 600 Pennsylvania Avenue NW, Washington, D.C. 20580. You can also visit the FTC's home page at www.ftc.gov for additional information. Call your state agency or visit your public library for other sources of information on franchising.

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

Issuance Date: April 23, 2025

How to Use This Franchise Disclosure Document

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

QUESTION	WHERE TO FIND INFORMATION
How much can I earn?	Item 19 may give you information about outlet sales, costs, profits or losses. You should also try to obtain this information from others, like current and former franchisees. You can find their names and contact information in Item 20 or Exhibit G.
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 D 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 Fajita Pete's 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 Fajita Pete's franchisee?	Item 20 or Exhibit G lists current and former franchisees. You can contact them to ask about their experiences.
What else should I know?	These questions are only a few things you should look for. Review all 23 Items and all Exhibits in this disclosure document to better understand this franchise opportunity. See the table of contents.

What You Need To Know About Franchising *Generally*

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

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

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

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

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

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

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

Some States Require Registration

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

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

Special Risks to Consider About *This* Franchise

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

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

2. **Supplier Control.** You must purchase all or nearly all of the inventory and supplies necessary to operate your business from Franchisor, its affiliates, or from suppliers that Franchisor designates at prices that the Franchisor or they set. These prices may be higher than prices you could obtain elsewhere for the same or similar goods. This may reduce the anticipated profit of your franchised business.

3. **Financial Condition.** The Franchisor's financial condition as reflected in its financial statements (see Item 21) calls into question the Franchisor's financial ability to provide services and support to you.

4. **Unopened Franchises.** The Franchisor has signed a significant number of franchise agreements with franchisees who have not yet opened their outlets. If other franchisees are experiencing delays in opening their outlets, you also may experience delays in opening your own outlet.

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

TABLE OF CONTENTS

Exhibits

Item 1

THE FRANCHISOR AND ANY PARENTS, PREDECESSORS AND AFFILIATES

The Franchisor

The franchisor is Fajita Pete's Franchising LLC. For ease of reference Fajita Pete's Franchising LLC will be referred to as "Fajita Pete's," "we" or "us" in this Disclosure Document.

We are a Texas limited liability company organized on August 24, 2010. Except as discussed below, we do not have any predecessors. Our, and our parent and affiliates, principal business address is 6719 Weslayan Street, Houston, Texas 77005.

We began franchising Fajita Pete's restaurant and catering businesses featuring home delivery of fajitas and other Tex-Mex dishes, along with related products and services (each a "Fajita Pete's Business") as of August 2015. We have not owned or operated a business of the type being franchised, although we have an affiliate that does, as described below.

Our agent for service of process is Pedro Mora. His principal business address is 6719 Weslayan Street, Houston, Texas 77005. If we have an agent for service of process in your state, we disclose that agent in Exhibit A.

Parents, Predecessors, and Affiliates

On or about April 26, 2018, as a result of a corporate restructuring, we became a wholly owned subsidiary of our parent, Evolve Restaurant Acquisition Group, LLC (a Texas limited liability company formed April 23, 2018). Also, as a part of this restructuring, we obtained all rights in the Marks (as described below) from our former affiliate, P.M.G. Catering, LLC (a Texas limited liability company organized on May 5, 2004).

P.M.G. Catering, LLC, which is owned by our Chief Operations Officer, Pedro Mora, owns and operates the original Fajita Pete's Business currently located at 6719 Weslayan Street, Houston, Texas 77005, which opened August 2008. P.M.G. Catering, LLC currently operates this location under a special Franchise Agreement with us. Our Chief Operations Officer also operates a second location through his company, FP Bellaire LLC (a Texas limited liability company formed February 9, 2022), under a standard Franchise Agreement, at 5201 Spruce Street, Bellaire, Texas 77401, which opened April 2024.

Neither we nor our parent or affiliates have offered franchises in any other line of business or engage in any business activities other than those described in this Disclosure Document.

The Franchise Offered

We are in the business of franchising Fajita Pete's Businesses. Each Fajita Pete's Business is established and operated using the format and system we developed (the "System"), and operate at retail locations displaying our interior and exterior trade dress. Fajita Pete's Businesses feature and operate under the Marks (as described below), and specialize in home delivery of fajitas and Tex-Mex dishes, along with related products and services. Each Fajita Pete's Business will offer dine-in, carry-out, catering and home delivery services. Each Fajita Pete's Business is operated using our proprietary recipes, formulae and techniques, as well as a variety of non-proprietary food, beverage, and other compatible items that we designate from time to time. All items offered for sale at a Fajita Pete's Business are subject to our approval.

Fajita Pete's Businesses are characterized by our System. Some of the features of our System include (a) recipes, standards and specifications for products, equipment, materials, and supplies; (b) uniform standards, specifications, and procedures for operations; (c) training and operational assistance; and (d) marketing and promotional programs. We may periodically change and improve the System.

You must operate your Fajita Pete's Business in accordance with our standards and procedures, as set out in our confidential operations manuals (collectively the "Operations Manual"). We will lend you a copy of the Operations Manual for the duration of the Franchise Agreement (or, at our option, we may make these available to you electronically). In addition, we will grant you the right to use certain marks, including the mark "Fajita Pete's" and any other trade names and marks that we designate in writing for use with the System (the "Mark**s**"). We may modify the Marks or substitute new Marks. See Items 13 and 14 for additional information regarding the Marks and the Operations Manual.

In addition to offering franchises for Fajita Pete's Businesses, we are in the business of granting area representative franchising rights to develop, market franchises for and service franchised Fajita Pete's Businesses under a separate Disclosure Document. We began offering area representative franchising rights on October 7, 2015.

Franchise Agreement

We offer to enter into franchise agreements (the "Franchise Agreement") (included as Exhibit B to this Disclosure Document) with qualified legal entities and persons ("you") that wish to establish and operate Fajita Pete's Businesses. (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, or limited liability company that signs a Franchise Agreement as the "franchisee".) If you are a corporation, partnership or limited liability company or if the franchise agreement is assigned to a corporation, partnership or limited liability company, your principal owners will have to guarantee and be bound by the terms of the franchise agreement (*See* Principal Owner's Guaranty attached to the Franchise Agreement as Exhibit A).

Under a Franchise Agreement, we will grant you the right (and you will accept the obligation) to operate a Fajita Pete's Business at an agreed-upon specified location. In this Disclosure Document the term "Business" means the Fajita Pete's Business franchised to you under the Franchise Agreement.

Area Development Agreement

We may also offer to enter into an area development agreement (the "Area Development Agreement") (included as Exhibit C to this Disclosure Document) with qualified legal entities and persons (a "developer"), which grants the right to establish and operate a specified number of Fajita Pete's Businesses in a specified area (the "Development Area") at specific locations that must be approved by us, each under a separate Franchise Agreement.

Developers must open each Fajita Pete's Business in accordance with an agreed upon opening schedule (the "Development Schedule"). The Development Schedule will be set forth in Exhibit B of the Area Development Agreement. The developer exercises its right to open Fajita Pete's Businesses by entering into a separate Franchise Agreement for each Business opened. The Franchise Agreement a developer will be required to sign for each Business opened will be our then-current form of Franchise Agreement, which may differ from the current Franchise Agreement included in this Disclosure Document.

Competition

The market for restaurant, catering and home delivery services, and specifically Tex-Mex restaurant and catering services, is well-established. You will need to compete with a variety of restaurant concepts. The restaurant business is highly competitive concerning price, service, restaurant location, and food quality, and is often affected by changes in consumer tastes, economic conditions, population and traffic patterns. We compete within each market with locally-owned restaurants, as well as with national and regional restaurant chains. There is also active competition for management personnel as well as for attractive commercial real estate sites suitable for restaurants.

Industry Specific Regulations

You must comply with all local, state and federal laws that apply to your Fajita Pete's Business, including health, sanitation, no smoking, EEOC, OSHA, discrimination, employment, and sexual harassment laws. The Americans with Disabilities Act of 1990 requires readily accessible accommodations for disabled people and may affect your building construction, site design, entrance ramps, doors, seating, bathrooms, drinking facilities, etc. You must also obtain real estate permits, licenses and operational licenses. There may be other laws applicable to your business and we urge you to make further inquiries about these laws.

Among the other licenses and permits you may need are: Zoning or Land Use Approvals, Sunday Sale Permits, Sales and Use Tax Permits, Special Tax Stamps, Fire Department Permits, Food Establishment Permits, Health Permits, Food Handler's Permit, Alarm Permits, County Occupational Permits, Retail Sales Licenses, Wastewater Discharge Permits. There may be other laws, rules or regulations which affect your Fajita Pete's Business, including point-of-sale disclosure regarding nutrition and dietary characteristics (e.g., calories, fat content, etc.) of the food served at your Fajita Pete's Business, laws concerning the protection of customers' credit card numbers and financial data, minimum wage and labor laws along with ADA, OSHA and EPA considerations, as well as The Affordable Care Act.

You may be required to obtain all necessary and applicable alcoholic beverage permitting and licensing to offer beer, wine and spirits for sale and consumption at your Fajita Pete's Business. You are responsible for complying with any federal, state, county, municipal, or other local laws and regulations relating to the sale and/or consumption of alcohol and liquor that may apply to your Fajita Pete's Business.

The U.S. Food and Drug Administration, the U.S. Department of Agriculture and state and local health departments administer and enforce regulations that govern food preparation and service and restaurant sanitary conditions. State and local agencies inspect stores to ensure that they comply with these laws and regulations.

The federal Clean Air Act and various state laws require certain state and local areas to meet national air quality standards limiting emissions of ozone, carbon monoxide and particulate matters, including caps on emissions from commercial food preparation. Some state and local governments have also adopted, or are considering proposals, that would regulate indoor air quality, including the limitation of smoking tobacco products in public places such as restaurants.

We are not obligated to provide you with guidance about these laws and regulations and you are solely responsible for knowing about and complying with all laws and regulations applicable to your Fajita Pete's Business. We recommend that you consult with your attorney for an understanding of these laws.

The United States enacted the "Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001" (the "USA Patriot Act"). We are required to comply with the USA Patriot Act. To help us comply with the USA Patriot Act, we ask you in the Franchise Agreement to confirm for us that neither you nor your directors, officers, shareholders, partners, members, employees, or agents are suspected terrorists or persons associated with suspected terrorists or are under investigation by the U.S. government for criminal activity. You may review the Patriot Act and related regulations at: http://www.treasury.gov/offices/enforcement/ofac/sdn.

Item 2

BUSINESS EXPERIENCE

Pedro Mora: Director, Manager and Chief Executive Officer

Mr. Mora is the founder of the Fajita Pete's concept, the owner of P.M.G. Catering, LLC (as described in Item 1), and has been a Director of our parent since inception. Since our corporate restructuring in April 2018 (as described in Item 1) he has been a Manager of us and our CEO. Mora has been involved in operating Fajita Pete's Businesses and growing the Fajita Pete's brand since 2008 in Houston, Texas.

Joseph P. Eguia: Director, Manager and Chief Operations Officer

Mr. Eguia has been a Director of our parent since inception. Since our corporate restructuring in April 2018 (as described in Item 1) he has been a Manager of us and our COO.

Ben Guill: Director

Mr. Guill has been a Director of our parent since inception. From June 2009 to the present Mr. Guill has been the Managing Partner for White Deer Energy in Houston, Texas.

Schuyler M. Tilney: Director

Mr. Tilney has been a Director of our parent since inception. From April 2018 to the present he has been a Senior Advisor for Tudor, Pickering, Holt in Houston, Texas.

Manish Agrawal: Director

Mr. Agrawal has been a Director of our parent since August 2020. From August 2013 to the present Mr. Agrawal has been the Managing Partner for Alkire Capital Funds in Houston, Texas.

Schuyler A. "Baker" Tilney: Operations Analyst

Mr. Tilney has been an Operations Analyst of our parent since inception. From July 2017 to the present he has been the Vice President of Sentinel Petroleum and the President of Circle G Partners in New York, New York.

Hugh Guill: Chief Brand Officer

Mr. Guill has been an Operations Analyst of our parent since inception, and in November 2020 he became our Chief Brand Officer. From September 2016 to the present he has been the Vice President – Programs for Young People in Recovery in Houston, Texas.

Item 3

LITIGATION

No litigation is required to be disclosed in this Item.

Item 4

BANKRUPTCY

Our Director, Joseph P. Eguia, was president for Restaurant Development, L.L.C., a Texas limited liability company, which filed a Chapter 11 (later converted to Chapter 7) bankruptcy petition (Case No. 06-30322) in the United States Bankruptcy Court for the Southern

District of Texas on February 1, 2006. On October 21, 2015 the bankruptcy court entered an order closing this case.

Except as described above, no additional bankruptcy is required to be disclosed in this Item.

Item 5

INITIAL FEES

Franchise Agreement

You must pay us an initial franchise fee in a lump sum when you sign the Franchise Agreement. Our standard initial franchise fee is currently $40,000. The initial franchise fee is fully earned when paid and is not refundable under any circumstances. The Franchise Fee is uniform for all franchisees.

Area Development Agreement

If you sign a Development Agreement with us, you will pay us a development rights fee in an amount equal to fifty percent (50%) of the initial franchise fee due for each Business for which you are granted the right to develop and open. You will pay us the development rights fee when you sign the Area Development Agreement with us. The development rights fee is fully earned upon execution of the Area Development Agreement and is not refundable under any circumstances. The Area Development Fee is uniform for all developers.

Other Initial Fees

Currently, there are no products or items required to be purchased from us or our affiliates prior to opening, although we may designate ourselves as an exclusive supplier of any product or item at any time. See Item 8 for more information.

Item 6

OTHER FEES

Column 1 Type of Fee	Column 2 Amount	Column 3 Due Date	Column 4 Remarks
Royalty Fee	5.5% of Gross Sales of your Business.	By the third business day after the close of each week based on the Gross Sales for that week.	"Gross Sales" means all revenue related to the Business (excluding customer refunds and credits and sales taxes collected and remitted to the proper authorities).

Marketing Fund Contribution	1% of Gross Sales.	Same time as royalty fees.	We can increase or decrease the amount of the contribution. However, at no time will your contribution exceed 2% of Gross Sales or the then current amount we are charging or authorized to charge new franchisees, whichever is greater.
Technology Fee	Up to $125 per week; currently $0.	Same time as royalty fees.	We may provide you with support, installation and set-up services for, use of, and/or access to certain cloud-based software (or other software) platform services, email addresses or accounts and/or other informational technology services or platforms, as we may determine from time to time in our sole discretion, in return for this fee, which is non-refundable, and subject to change at any time in our sole discretion. We may discontinue or modify the provision of any informational technology platform or service at any time.
Local Advertising	2% of Gross Sales.	Must be spent monthly.	Any amount that you are required to contribute to us toward the marketing fund in excess of 1% of Gross Sales will count toward your local advertising expenditure obligations. All materials must be submitted to us for our prior written approval.
Local and Regional Advertising Cooperatives	0% to 2% of Gross Sales.	As required by the cooperative.	Any contributions will count toward your local advertising expenditure obligations (see above).

Late Payments	Highest applicable legal rate for open account business or if there is no maximum, 1.5% per month.	From the date payments are due.	Charged on any late payments of royalty fees, marketing fund contributions, amounts due for product purchases or any other amounts due us or our affiliates.
Additional on-site training and assistance	Our per-diem charge (which is currently $500.00, plus our out-of-pocket costs), per trainer.	Upon demand.	If we determine, in our sole discretion, that your management team is in need of additional on-site supervision or supplemental training, we may require that you receive such training from us at the Business, in which case you agree to pay for all expenses for that training or assistance, including any reasonable per diem charges assessed by us and travel and living expenses for our personnel.
Charges for "mystery shopper" quality control program	Your allocable share of the expenses we incur or our authorized representatives incur in administering and conducting the mystery shopper programs, not to exceed $1,500 per year.	Upon demand, if incurred.	We may, from time to time, conduct or cause to be conducted mystery shopper programs to determine customer satisfaction with Fajita Pete's Businesses.

Product/ Supplier Testing	Varies – the costs of testing and evaluation.	Upon demand, if incurred.	We have the right to inspect the proposed supplier's facilities, and to require product samples from the proposed supplier to be delivered at our option either directly to us or to any independent, certified laboratory which we designate for testing. Either you or the proposed supplier must pay us a fee (not to exceed the reasonable cost of the inspection and the actual cost of the test) to make the evaluation.
Audit Expenses	Cost of audit and inspection plus any reasonable accounting and legal expenses.	Upon receipt of invoice.	Payable if 2% or more discrepancy in amounts owed or if you fail to submit required reports.
Development Schedule Extension Fee	$5,000 for a 6-month period and $1,000 for each month thereafter.	Upon demand, if incurred.	If you are diligently working to comply with the Development Schedule in your Area Development Agreement, and are unable to meet one or more deadline, you may request that we provide an extension. We have the right to require that you pay an extension fee of $5,000 for an extension period of 6 months and $1,000 for each month thereafter for each extended deadline. We are not obligated to extend any deadlines.

Transfer Fee	50% of then current initial franchise fee for a Fajita Pete's Business franchise, plus 10% of the purchase price paid to Franchisee by the Proposed New Owner, in the event the Proposed New Owner has previously approached us as a prospective franchisee.	At the time of transfer.	Applies to a transfer of the Franchise Agreement, the Business or a controlling interest in the franchise.
Renewal Fee	50% of then current initial franchise fee for a Fajita Pete's Business franchise.	At the time of transfer.	The initial term of the Franchise Agreement is 10 years, which you may renew for 1 additional term of 10 years, and for such renewal you must pay us this renewal fee.

Step-In Rights Management Fee	5% of Gross Sales, plus reasonable compensation and expenses for our representatives (including an Interim Manager), plus other reasonable costs and expenses incurred in return for managing the Business.	Upon demand.	See Item 15. We have the right, but not the obligation, to step-in and designate an individual of our choosing (an "Interim Manager") to temporarily manage the Business in the event that: (a) you fail to comply with any provision of the Franchise Agreement and do not cure this failure; (b) we determine that the operation of the Business is in jeopardy; (c) we determine that operational problems and deficiencies require that we operate the Business; (d) you abandon or fail to actively operate the Business; (e) your designated principal owner or designated operator dies or is determined to be temporarily or permanently disabled; or (f) we deem you incapable of operating the Business.
Costs and Attorney's fees	Will vary under circumstances.	As incurred.	Payable to us if we have to take action to enforce the provisions of the Franchise Agreement, in defending our actions related to the Franchise Agreement or resulting from your breach of the Franchise Agreement.
Insurance Procurement	Our cost to obtain insurance coverage if you fail to do so.	Upon demand.	We have the right (but not obligation) to buy insurance coverage if you do not do so.
Indemnification	Will vary under circumstances.	As incurred.	You must indemnify, defend and hold us harmless and reimburse us for any damages arising out of the operation of your Business.

Liquidated Damages for Early Termination (Franchise Agreement)	An amount equal to the average of the Royalty Fees paid (or payable) over the past 12 months times the lesser of 24 or the number of full calendar months remaining in the term of the Franchise Agreement at the time of termination.	Upon demand.	Payable if we terminate your Franchise Agreement for cause.

Except as noted, all fees are uniform and are imposed by and payable to us or our affiliates. All fees are non-refundable. We may require that you participate in an electronic funds transfer program by which payments due us are paid or directed electronically from your bank.

Item 7

ESTIMATED INITIAL INVESTMENT

YOUR ESTIMATED INITIAL INVESTMENT

The following table describes the estimated initial investment for a single Fajita Pete's Business under the Franchise Agreement. We have not included a separate table for the initial investment if you sign an Area Development Agreement. As described in Item 5, upon execution of an Area Development Agreement you must pay us an amount equal to 50% of the initial franchise fee due for each Fajita Pete's Business for which you are granted the right to develop and open. You will pay us the development rights fee when you sign the Area Development Agreement with us. Other than the development rights fee, the following estimated initial investment expenditures will apply, subject to potential increases over time and other changes in circumstances. If you sign an Area Development Agreement, your professional fees, such as in the category of legal and financial, may be higher and cannot be predicted by us.

Column 1 Type of expenditure (Note 1)	Column 2 Amount	Column 3 Method of payment	Column 4 When due	Column 5 To whom payment is to be made
Initial Franchise Fee (Note 2)	$40,000	Lump Sum	Upon signing your Franchise Agreement	Us
Lease (first 3 months rent), Utility & Security Deposits (Note 3)	$10,000 to $13,700	Lump Sum	As incurred before opening	Landlord
Business Licenses and Permits (Note4)	$3,000 to $8,500	Lump Sum	As incurred before opening	Contractors/ Vendors
Construction Drawing/Architect/Engineering Fees (Note 5)	$4,500 to $20,000	Lump Sum	As incurred before opening	Architect/ Vendors
Leasehold Improvements (Note 6)	$56,000 to $375,000	Lump Sum	As incurred before opening	Contractors/ Vendors
Furniture, Fixtures and Equipment (Note 7)	$45,000 to $130,000	Lump Sum	As incurred before opening	Contractors/ Vendors
Point-of-Sale Equipment and Computer (Note 8)	$500 to $2,000	Lump Sum	As incurred before opening	Contractors/ Vendors
Professional Fees (Note 9)	$500 to $7,500	Lump Sum	As incurred before opening	Contractors/ Vendors
Initial Inventory of Food, Beverages and Supplies (Note 10)	$3,000 to $10,000	Lump Sum	As incurred before opening	Contractors/ Vendors
Insurance Deposit (Note 11)	$1,000 to $8,000	Lump Sum	As incurred before opening	Contractors/ Vendors

Column 1 Type of expenditure (Note 1)	Column 2 Amount	Column 3 Method of payment	Column 4 When due	Column 5 To whom payment is to be made
Training Expenses (Note 12)	$3,000 to $10,000	Lump Sum	As incurred before opening	Contractors/ Vendors
Grand Opening Advertising (Note 13)	$3,000 to $8,000	Lump Sum	As incurred before opening	Contractors/ Vendors
Additional Funds (Note 14)	$25,000 to $35,000	Lump Sum	As incurred before opening	Contractors/ Vendors
TOTAL ESTIMATED INITIAL INVESTMENT (exclusive of real estate costs)	$194,500 to $667,700			

Explanatory Notes:

1. General – We do not impose or collect the fees or costs described in this Item 7, except for the items noted with "Us" in the column labeled "To Whom Paid." Except as described below, all fees and amounts that you must pay to us are non-refundable. For any amounts paid to third parties, the availability and conditions under which you may obtain refunds will depend on the terms offered by those third party suppliers. We do not offer our franchisees financing for any part of the initial investment (see Item 10 for additional information). Our estimates in this Item 7 are based on our current prototype for Fajita Pete's Businesses, our experience in developing and operating former affiliate-owned Fajita Pete's Businesses, and our knowledge of business practices and conditions in the general marketplace. They are, however, only estimates and by their nature may change from time to time and may vary from location to location. The figures do not provide for your cash needs to cover financing incurred by you or your other expenses. You should not plan to draw income from the operation during the start-up and developmental stage of your business, the actual duration of which will vary materially from location to location and cannot be predicted by us for your Business (and which may extend for longer than the three month "initial period" described in Note 14 of this Item 7). You must have additional sums available, whether in cash or through a bank line of credit, or have other assets which you may liquidate or against which you may borrow, to cover other expenses and any operating losses you may sustain, whether during your start-up and development stage, or beyond. The amount of necessary reserves will vary greatly from franchisee to franchisee and will depend upon many factors, including the rate of growth and success of your Business, which will in turn depend upon factors such as the demographics and economic conditions in the area in which your Business is located, the presence of other Fajita Pete's Businesses, public awareness of our business, your ability to operate efficiently and in conformance with the System, and competition. Because the exact amount of reserves will vary and cannot be meaningfully estimated, we urge you to carefully review these figures and the figures you obtain from your own inquiries with an experienced business advisor, such as an accountant or consultant, or a legal advisor, before making any decision to purchase a Fajita Pete's Business franchise or any other franchised business.

2. Franchise Fee –See Item 5 for further details regarding the Franchise Fees and Area Development Fees. We do not provide financing for any of these fees.

3. Lease, Utility & Security Deposits – If you do not own a location for your Business, you must purchase or lease a space. Locations for Fajita Pete's Businesses will typically need approximately 1,200 to 1,600 square feet. The estimate in the chart above includes your first month's rent payment, security deposits and utility deposits (for example, telephone, electricity, gas and water). We have assumed the security deposit to your landlord will equal one month's rent, although this may vary from landlord to landlord. The estimates assume that rent commences upon the Business's opening. You, however, will need to lease a space in advance to build-out the Business. However, you may attempt to negotiate an abatement from the lessor for this period.

We anticipate that Fajita Pete's Businesses will typically be located in traditional in-line shopping centers, in high traffic urban and suburban areas, preferably near large residential communities, office buildings and other commercial areas. 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 market conditions in the relevant area, the type and nature of improvements needed to the premises, the size of the site for the Business, the terms of the lease, the desirability of the location, and your ability to negotiate with your lessor.

The estimates assume that you will lease the premises for your Business and, therefore, do not include costs related to the purchase of land or the construction of any buildings. If you decide to purchase the property for the location of your Business, you will incur additional costs that we cannot estimate.

4. Business Licenses and Permits – These are general estimates for permits and licensing that may be required by local and state governments. Local, municipal, county and state regulations vary on the licenses and permits you will need to operate a Fajita Pete's Business. You will pay these fees to governmental authorities before starting business. You are solely responsible for obtaining all appropriate licenses and permits. You may be required to obtain all necessary and applicable alcoholic beverage permitting and licensing to offer beer, wine and spirits for sale and consumption at the Business. You are responsible for complying with any federal, state, county, municipal, or other local laws and regulations relating to the sale and/or consumption of alcohol and liquor that may apply to your Business. The high end of the range assumes that you will obtain an applicable alcoholic beverage (beer and wine) permit and license, which is estimated to cost up to approximately $5,000.

5. Architect/Engineering Fees – You will be required to retain the services of a qualified architect and engineer, who we have approved or designated for use by our franchisees, to adapt our standardized plans and specifications based on our prototype(s) of Fajita Pete's Businesses for the remodeling or finish-out of your Business. Your architect and engineer will use the design and layout provided by this supplier as the basis for your construction drawings and plans. We may from time to time develop or approve variations with respect to our prototype locations and plans.

6. Leasehold Improvements – You will need to employ a qualified licensed general contractor to construct the improvements to, or "build out," the premises who is acceptable to us. Our estimates are based on the assumption that the location is a free-standing building approximately 1,200 to 1,600 square feet, and includes, at a minimum, a level concrete floor suitable for floor covering, air-conditioning, electricity, gas, sewers, bathroom facilities, and water and plumbing suitable for a retail business. Among other things, you will probably need to arrange for the following items to meet our standard plans and specifications: proper wiring and plumbing, floor covering, wall covering, partitions, lighting and fixtures, storefront modifications, painting, cabinetry, and the like. Costs will vary depending upon various factors, including: whether the site is a first generation restaurant site or a second generation restaurant/conversion site, the geographic location of your business; the size of the premises; the availability and cost of labor and materials; and the condition of the premises and the work that the lessor will do as a result of the lease negotiations. Lessors may, instead of constructing or installing some of the improvements itself, provide you with credits towards your future rent payments and/or a tenant improvement allowance. Our estimates do not account for any rental credits or tenant improvement allowance.

7. Furniture, Fixtures, and Equipment – As described in Item 8, you must purchase all fixtures, furnishings, equipment, signage and supplies that we specify as required for a Fajita Pete's Business. *Fixtures, Furnishings and Equipment:* This estimate includes fixtures and equipment required for a Fajita Pete's Business, including (without limitation) coolers and refrigeration equipment, cooking equipment, food preparation tables, serving counters, customer tables, seating, stereo, televisions, various trade dress and décor items, small wares, and other fixtures, furnishings and equipment. The high end of the range assumes that you will purchase a frozen margarita machine, which is estimated to cost up to $3,500, and the low end of the range assumes you will lease this piece of equipment. This estimate also includes the cost of your office furniture, filing cabinet and miscellaneous office supplies, and equipment. *Signage:* This estimate also includes the costs for interior and exterior signage. The cost of signage may vary significantly depending on the location of your Business, market conditions and local codes. In some instances, the use of additional or larger signage may be possible, with our prior written approval. The costs of these optional items are not included in the line item total above.

8. Point-of-Sale Equipment and Computer – You must purchase or lease specified computers and related hardware, along with required third party software necessary to operate the Business. The estimate includes leasing the items that we currently require. We may periodically require franchisees to update their computer systems to our then-current standards. See Item 11 under the heading "Computer System" for additional information.

9. Professional Fees – The estimate assumes that you will employ an attorney to help you negotiate your lease for the Business premises. In addition, you may choose to employ an attorney, accountant, and other consultants to help you evaluate our franchise offering and your establishment of a new business, and in obtaining all required permits and licenses to establish and operate the Business. In addition, you may also form a corporation or other entity to operate the business. Your actual costs may vary substantially, for example, depending on the degree to

which you rely upon your advisors and upon the licensing requirements that may apply to your Business.

10. Initial Inventory of Food, Beverages and Supplies – These expenses include an initial inventory of food and beverage products, as well as an initial inventory of paper goods and supplies. You will need to replenish your initial inventory on an as needed basis as food items and other supplies are used. The amount and cost of your initial and subsequent orders for all of these items will vary depending on various factors, including the size and anticipated volume of your Business's sales and the frequency of your orders.

11. Insurance Deposit – The estimate represents an initial deposit for the coverage necessary to operate the business and represents approximately three months of coverage. Insurance costs will vary depending upon factors such as the size and location of the Business.

12. Training Expenses – You will incur expenses associated with our training program. For this training program, we provide instructors and instructional materials at no charge for up to 3 persons, but you must pay for transportation, lodging, meals, wages, and worker's compensation insurance (if you send any employees) for your trainees. As to the amounts shown, the low end of the estimate assumes that the trainees are within driving distance to the training location, and the high end assumes that other travel will be needed, and includes travel expenses, although these may vary significantly depending upon factors such as the distance traveled and mode of transportation. Your costs will also vary depending on the nature and style of accommodations, and the number of persons who will attend training. See Item 11 under the heading "Training" for additional details regarding the program.

13. Grand Opening Advertising – This advertising and marketing promotion is intended to provide initial awareness and momentum for your new Business. You must spend a minimum of $3,000 on this advertising. Additional details regarding advertising and promotion can be found in Item 11, under the heading "Advertising."

14. Additional Funds – You will need additional capital to support on-going expenses, such as payroll, rent 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 shown in the chart above will be sufficient to cover on-going expenses for the start-up phase or initial period of the business, which we calculate to be three months. Such amounts are the minimum recommended levels and are only estimates. There is no assurance that additional working capital will not be necessary during this initial period or after. Your actual costs may vary considerably, depending, for example, on factors such as: local economic conditions; the local market for the Products; 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. The disclosure laws require us to include this estimate of all costs and expenses to operate your franchise during the "initial period" of your business, which is defined as three months or a longer period if "reasonable for the

industry." We are not aware of any established longer "reasonable period" for our industry, so our disclosures cover a three month period.

Item 8

RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

Lease or Purchase of Premises

You must obtain lawful possession of the premises for the Business through lease or purchase within 120 days after signing the Franchise Agreement. You will not execute a lease without our advance written approval. The lease for the premises must contain the terms and provisions we reasonably approve.

Prototype and Construction Plans and Specifications

We will assist in the design, decoration, furnishings, furniture, layout, equipment, fixtures and signs for your Business. It will then be your responsibility to have plans and specifications prepared to comply with our requirements and with all ordinances, building codes, permit requirements, and lease requirements and restrictions applicable to the premises utilizing an architect we approve. You must submit final construction plans and specifications to us for our approval before you begin construction at the premises, and must construct your Business in accordance with those approved plans and specifications.

Your architect and engineer will use the design and layout provided by this supplier as the basis for your construction drawings and plans.

Development of the Business

You must at your own expense do the following within a reasonable time after you have obtained possession of the premises of your Business: (1) secure all financing required to fully develop the Business; (2) obtain all required building, utility, sign, health, sanitation and business permits and licenses and any other required permits and licenses; (3) construct the Business according to the construction plans and specifications we have approved; (4) decorate the Business in compliance with plans and specifications we have approved; (5) purchase and install all required equipment, furniture, furnishings and signs; (6) cause the training requirements of Section 4 of the Franchise Agreement (described in Item 11) to be completed; (7) purchase an opening inventory of products, beverages and other supplies and materials; (8) do any other acts necessary to open the Business for business; (9) obtain our approval to open the Business for business; and (10) open the Business for business. You must open the Business for business within 240 days after signing the Franchise Agreement.

Computer System

You will need to acquire (either by purchase or lease) the computer hardware and software system that we may specify from time to time. The computer hardware and software system refers to cash register or point of sale systems, hardware, software for the management and operation of the Business and for reporting and sharing information with us, and communication systems (including modems, cables, etc.). See Item 11 under the heading "Computer System" for more information.

Equipment, Furniture, Fixtures, Furnishings and Signs

You must use in the development and operation of the Business only those brands, types, and/or models of Business and other equipment, furniture, fixtures, furnishings, cash registers and signs we have approved.

Approved Products, Services, Distributors and Suppliers

We have developed standards and specifications for menu items, ingredients, beverages, materials and supplies incorporated in or used in the preparation, presentation and delivery of prepared food and beverage products authorized for sale at Fajita Pete's Businesses. Your Business must (a) offer for sale all menu items prescribed by us from time to time, and other products and services that we from time to time authorize; (b) offer and sell approved products and services only in the manner we have prescribed; (c) not offer for sale or sell at the Business, the premises or any other location any menu items or other products or services we have not approved; (d) not use the premises for any purpose other than the operation of the Business; and (e) discontinue selling and offering for sale any products or services that we at any time decide (in our sole discretion) to disapprove in writing. You must maintain an inventory of approved products, beverages, ingredients and other products sufficient in quantity and variety to realize the full potential of your Business.

We may, from time to time, conduct market research and testing to determine consumer trends and the saleability of new products and services. You must cooperate by participating in our market research programs, and by providing us with timely reports and other relevant information regarding that market research. In connection with any test marketing, you will be required to purchase a reasonable quantity of the tested products and effectively promote and make a reasonable effort to sell them.

We have and will continue to periodically approve suppliers and distributors of the above products and services that meet our standards and requirements, including, standards and requirements relating to product quality, costs, prices, consistency, reliability, financial capability and customer relations. None of our officers listed in Item 2 currently owns an interest in any supplier. You must (1) purchase products for sale from the Business in the quantities we designate; (2) utilize the formats, formulae and containers for products we prescribe; and (3) purchase all products, services, beverages, menus, serving baskets, plates, napkins, glassware, flatware, paper and plastic products, packaging or other materials, and utensils only from distributors and other suppliers we have approved. We may also designate certain suppliers of services necessary for the development and operation of Fajita Pete's Businesses, including, without limitation, Computer System services, architectural services, insurance services, real estate leasing services, site selection services, merchant services and linen services.

We may approve a single distributor or other supplier (collectively "supplier"), for any product or service and may approve a supplier only as to certain products or services. We may concentrate purchases with one or more suppliers to obtain lower costs or prices or the best advertising support or services for any group of the Businesses franchised or operated by us. Approval of a supplier may be conditioned on requirements relating to the frequency of delivery, concentration of purchases, standards of service, including prompt attention to complaints, or other criteria and may be temporary, pending our continued evaluation of the supplier periodically.

If you would like to purchase any items from any unapproved supplier, you must submit to us a written request for approval of the proposed supplier. (Or the proposed supplier may submit its own request.) We have the right to inspect the proposed supplier's facilities, and to require product samples from the proposed supplier to be delivered at our option either directly to us or to any independent, certified laboratory which we designate for testing. Either you or the proposed supplier must pay us a fee (not to exceed the reasonable cost of the inspection and the actual cost of the test) to make the evaluation. We will notify you of our decision to approve or disapprove your request for approval of a proposed supplier within a reasonable time after we receive your written request, but never to exceed 90 days after we receive your written request and all other information we may have requested from you and after completion of any inspection we deem appropriate. We reserve 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 criteria. (Please note: Do not construe the new-supplier approval process just explained as requiring us to approve any proposed supplier.)

We will issue specifications or identify approved suppliers in our Operations Manuals or bulletins or releases issued to franchisees. We will also issue specifications to approved suppliers. Neither we, nor any of our affiliates, are currently approved suppliers for any product or service but may be approved suppliers for products or services in the future. Neither we nor our affiliates have derived income or other material consideration as a result of required purchases or leases but may do so in the future. We currently do not negotiate purchase arrangements with suppliers for the benefit of our franchisees, but we reserve the right to do so in the future. We also do not provide material benefits (for example, renewal or granting additional franchises) to a franchisee based on a franchisee's purchase of particular products or services or use of particular suppliers from our list of approved suppliers. We estimate that approximately 95% to 100% of your purchases or leases to start and operate your business will be made from us, approved or designated suppliers or in accordance with our specifications or requirements. There are presently no purchasing or distribution cooperatives.

We have engaged a procurement specialist (currently, Restaurant Partners Procurement) to assist our System with certain supplier management. This procurement specialist is paid through our primary supplier based upon product charges.

We have established a marketing and rebate program with our primary soft drink supplier. Currently, we pass all of the benefits of this program through to our franchisees, however, we reserve the right to modify our treatment of these benefits at any time.

For the year ending December 31, 2024, we derived no revenue as a result of franchisees dealings with designated suppliers.

Except as described above, we do not currently charge and/or retain royalties, commissions or rebates from vendors which supply Fajita Pete's Businesses, but we reserve the right to do so in the future.

Insurance

You must purchase and maintain in effect policies of insurance before the Business opens for business. The insurance requirements are described in our Operations Manual, but we have the right to increase policy limits or minimum liability protection or require different or additional kinds of insurance and all policies of insurance must name us and any other party designated by us as additional insureds.

Item 9

FRANCHISEE'S OBLIGATIONS

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

Obligation	Section in Agreement	Item in Disclosure Document
a. Site selection and acquisition/lease	Section 3.1 of the Franchise Agreement	Item 8
b. Pre-opening purchases/leases	Sections 3.2, 3.3, 3.4 and 3.5 of the Franchise Agreement	Item 8
c. Site development and other pre-opening requirements	Sections 3.2 and 3.3 of the Franchise Agreement	Item 8
d. Initial and ongoing training	Section 4 of the Franchise Agreement	Item 11
e. Opening	Section 3.6 of the Franchise Agreement	Item 11
f. Fees	Section 9 of the Franchise Agreement; Section 5 of the Area Development Agreement	Items 5 and 6
g. Compliance with standards and policies/operating manual	Section 10 of the Franchise Agreement	Item 11

Obligation	Section in Agreement	Item in Disclosure Document
h. Trademarks and proprietary information	Section 6 of the Franchise Agreement	Item 13
i. Restrictions on products/services offered	Section 10 of the Franchise Agreement	Item 8
j. Warranty and customer service requirements	Section 10 of the Franchise Agreement	
k. Territorial development and sales quotas	Sections 2.3 and 2.4 of the Franchise Agreement; Sections 2 and 3 of the Area Development Agreement	Item 12
l. On-going product/service purchases	Section 10.4 of the Franchise Agreement	Item 8
m. Maintenance, appearance and remodeling requirements	Section 10.2 of the Franchise Agreement	Item 8
n. Insurance	Section 10.9 of the Franchise Agreement	Item 8
o. Advertising	Sections 9.4 and 11 of the Franchise Agreement	Item 11
p. Indemnification	Section 7.3 of the Franchise Agreement	Item 6
q. Owner's participation/ management/staffing	Section 10.8 of the Franchise Agreement	Item 11
r. Records and reports	Section 12 of the Franchise Agreement	Item 6
s. Inspections and audits	Section 13 of the Franchise Agreement	Item 6
t. Transfer	Section 14 of the Franchise Agreement; Section 9 of the Area Development Agreement	Item 17
u. Renewal	Section 2.6 of the Franchise Agreement	Item 17

Obligation	Section in Agreement	Item in Disclosure Document
v. Post-termination obligations	Section 16 of the Franchise Agreement	Item 17
w. Non-competition covenants	Sections 8.3 and 16.5 of the Franchise Agreement	Item 17
x. Dispute resolution	Sections 17.7, 17.8 and 17.9 of the Franchise Agreement; Sections 14, 15, 16 and 17 of the Area Development Agreement	Item 17
y. Liquidated Damages	Sections 16.1 of the Franchise Agreement	Item 6

Item 10

FINANCING

We do not offer direct or indirect financing. We do not arrange for financing from other sources. We do not guarantee your notes, leases or other obligations.

Item 11

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

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

Before you open your Business, we will:

(1) Expend the time and effort and incur the expenses as may reasonably be required to inspect sites you proposed for a Business. We typically will not own the Business' site and lease it to you.

(2) Approve the terms of the lease for the premises of your Business Franchise Agreement – Section 3.1).

(3) Assist in the preparation of plans, specifications and other materials, reflecting our suggestions and requirements for layout, equipment, fixtures and signs for your Business (Franchise Agreement – Section 3.2).

(4) Approve final construction plans and specifications for your Business (Franchise Agreement – Section 3.2).

(5) Specify the computer system for your Business (Franchise Agreement – Section 3.4).

(6) Provide an initial training program (see below) (Franchise Agreement - Section 4(a)).

During the operation of your Business, we will:

(1) Furnish you with guidance and assistance in the following areas: (a) food preparation and presentation, packaging, sale and delivery of the products authorized for sale by the Business; (b) purchasing approved equipment, furniture, furnishings, signs, food and beverage products, operating materials and supplies; (c) development and implementation of local advertising and promotional programs; (d) general operating, marketing and management procedures; and (e) changes in any of the above that occur periodically (Franchise Agreement – Section 5.1).

(2) Provide access to you during the term of the franchise of our Operations Manual. The Table of Contents of our Operations Manual is attached as Exhibit E. The approximate total number of pages in the current Operations Manual is 784 pages. It will be made available to you prior to opening. Our Operations Manual may be modified to reflect changes in the specifications, standards, operating procedures and other obligations in operating Businesses (Franchise Agreement - Section 5.2). Our Operations Manual is confidential and remains our property.

(3) Indemnify you against and reimburse you for all damages for which you are held liable in any proceeding arising out of your use of our Marks in compliance with the Franchise Agreement and all costs reasonably incurred by you in the defense of this kind of claim, so long as you have timely notified us of the claim (Franchise Agreement – Section 6.5).

(4) Review and approve or disapprove of suppliers and distributors you have proposed. We have the right to charge a fee to make this evaluation (Franchise Agreement – Section 10.4).

Any obligation or duty we have under the Franchise Agreement may be performed by any distributor, designated party, employee or agent of ours, as we may direct in our sole discretion. In the event that your Business is located within the territory of an area representative of ours, it may be the area representative who performs the above described assistance, or any other obligation or duty under the Franchise Agreement, before and during your operation of the Business.

<u>Advertising</u>

You must spend a minimum of $3,000 on grand opening advertising and marketing. This advertising and marketing promotion is intended to provide initial awareness and momentum for your new Business.

We may administer an advertising fund (the "Marketing Fund") for advertising and promotional programs as we may deem necessary or appropriate. Upon notice from us, you must contribute to the Marketing Fund 1% of the Gross Sales of the Business payable each week. We have the right upon written notice to you to increase contributions to the Marketing Fund up to an amount equal to 2% of the Gross Sales of the Business or the then current contributions we are charging or authorized to charge new franchisees, whichever is greater. Fajita Pete's Businesses owned by us, our owners and Directors (and related entities) or our affiliates may, but are not obligated to, contribute to the Marketing Fund on the same basis as you do.

We will direct all marketing programs financed by the Marketing Fund, with sole discretion over the creative concepts, materials and endorsements used therein, and the geographic, market and media placement and allocation thereof. The Marketing Fund may be used to pay the costs of administering regional and multi-regional advertising programs including, purchasing direct mail and other media advertising such as print advertising and television and radio advertising and employing advertising agencies and supporting public relations, market research and other advertising and marketing activities including, the costs of participating in any national or regional trade shows that we, in our sole discretion, deem appropriate. We will not use Marketing Fund contributions for advertising that is principally a solicitation for the sale of franchises.

The Marketing Fund will be accounted for separately from our other funds and will not be used to defray any of our general operating expenses, except for the reasonable salaries, administrative costs and overhead we may incur in connection with activities reasonably related to the administration of the Marketing Fund and its marketing programs including preparing advertising and marketing materials and collecting and accounting for contributions to the Marketing Fund. We may spend in any fiscal year an amount greater or less than the aggregate contribution of all Businesses to the Marketing Fund in that year and the Marketing Fund may borrow from us or other lenders to cover deficits of the Marketing Fund or cause the Marketing Fund to invest any surplus for future use by the Marketing Fund. We will prepare an annual statement of monies collected and costs incurred by the Marketing Fund, and will furnish it to you upon written request.

We will have the right to cause the Marketing Fund to be incorporated or operated through an entity separate from us at any time we deem appropriate, and this entity will have the same rights and duties as we do under the Franchise Agreement. The Marketing Fund is intended to enhance recognition of the Marks and patronage of Businesses. Although we will endeavor to utilize the Marketing Fund to develop advertising and marketing materials and programs, and to place advertising that will benefit all Businesses, we undertake no obligation to ensure that expenditures by the Marketing Fund in or affecting any geographic area are proportionate or equivalent to the contributions to the Marketing Fund by Businesses operating in that geographic area or that any Business will benefit directly or in proportion to its contribution to the Marketing Fund from the development of advertising and marketing materials or the placement of advertising. We assume no direct or indirect liability or obligation to you or any other Business in connection with the establishment of the Marketing Fund or the collection, administration or disbursement of monies paid into the Marketing Fund.

We have the right, in our sole discretion, to suspend contributions to and operations of the Marketing Fund for one or more periods that we determine to be appropriate and the right to terminate the Marketing Fund upon 30 days' written notice to you. All unspent monies on the date of termination will be distributed to us, our affiliates and our franchisees in proportion to our respective contributions to the Marketing Fund during the preceding 12 month period. We will have the right to reinstate the Marketing Fund upon the same terms and conditions set forth in the Franchise Agreement upon 30 days' advance written notice to you.

For the year ending December 31, 2024 the Marketing Fund was spent in the following approximate manner: 58% on digital marketing; 19% on social media marketing; 10% on press releases and similar marketing; 5% on website development; 4% on photoshoots and graphics; and 4% on email and text marketing.

You must spend monthly (or during such other period we designate) at least 2% of the Gross Sales of the Business on marketing, advertising and promotion in your local market area, provided that any amount you are required to contribute to us in excess of 1% of the Gross Sales of the Business toward your contribution to the Marketing Fund will count toward your expenditure obligations on local advertising.

We reserve the right to require that you participate in local and regional advertising cooperatives in connection with the advertising and promotional programs administered by us or by other franchisees of the System. You must pay amounts that are approved by these cooperatives. Your total contribution to these cooperatives will be upheld to your obligation to expend funds on local advertising.

There are presently no regional or local advertising cooperatives. We currently have an advertising council which we consult with regarding certain marketing decisions.

Before your use of them, samples of all local and regional advertising and promotional materials not prepared or previously approved by us must be submitted to us for approval, which will not be unreasonably withheld. You may not use any advertising or promotional materials that we have not previously approved in writing.

We currently advertise all Businesses on our website. You may not establish a separate website to advertise, market or promote your Fajita Pete’s Business without our prior written consent. If we do consent to your establishment of a website, you will be required to submit to us samples of your website format and information in the form and manner we may reasonably require and you must comply with our standards and specifications for websites as we prescribe. We may, at any time, modify our policies with regard to websites.

If we, in our sole discretion, so require, you also agree to list and advertise the Business in the professional trade association directories and in the principal regular (white pages) and classified (yellow pages) telephone directories distributed within your primary trading area, in the directory categories we specify utilizing our standard forms of listing and classified directory advertisements. We may place classified directory advertisements on a national or regional basis and list other Businesses operating within the distribution area of these classified directories, with the cost of these advertisements reasonably apportioned among all Businesses listed.

Computer/Cash Register

You must use in the development and operation of the Business the cash register/computer terminals and operating software ("Computer System") we may specify periodically. Currently, the Hungerush point of sale computer system is approved for use in operation of the Business, including the following components and software:

- 2 Terminals
- 1 Tablet
- 2 Guest Check Printers
- 2 Cash Drawers
- 1 Remote Printer
- 2 KDS (Kitchen Display)
- 1 Caller ID
- 1 POS Network Package
- 1 Access Point
- Terminal Software License
- Online Ordering
- Rewards
- HUB
- Mobile App

We estimate that the upfront cost for leasing the Computer System will be in the approximate range of $500 to $2,000 (see Item 7), which includes upfront subscription fees for the hardware and software. You must also pay ongoing monthly subscription fees of approximately $1,000, which amount is subject to change, and includes access to our current designated Computer System software platform vendors, including Hungerush, Thankx and Olo. This amount does not include a back office computer which you may want to purchase. As part of the Computer System, we may require you to obtain specified computer hardware and/or software, including a license to use proprietary software developed by us or others. Our modification of these specifications for the components of the Computer System may require you to incur costs to purchase, lease and/or license new or modified computer hardware and/or software and to obtain service and support for the Computer System during the term of the Franchise Agreement. There are no limitations on the frequency and cost of these obligations of yours. We cannot estimate the future costs of the Computer System (or additions or modification to the Computer System), and the cost to you of obtaining the Computer System (including software licenses) (or any additions or modification) may not be fully amortizable over the remaining term of the Franchise Agreement. Nonetheless, you will incur these costs in obtaining the computer hardware and software comprising the Computer System (or additions or modification). We have the right to charge a reasonable systems fee for software or systems modifications and enhancements specifically made for us that is licensed to you and other maintenance and support services that we furnish to you related to the Computer System. Neither we nor any affiliate or third party has an obligation to provide ongoing maintenance, repairs, upgrades or updates to the Computer System unless you enter into a contract for these services. We will have independent access to the information and data from the Computer System. There is no contractual limitation on our right to access this information and data.

You may also be required to subscribe to services from WiseTail an e-learning platform. The current cost is zero to franchisees, but subject to change. We may modify or discontinue the required use of this service at any time, in our sole discretion.

We currently require that you use QSROnline software for inventory control and scheduling. We pay the System costs for these services and bill you the actual cost for your Business, which is currently in the range of $145 to $225 per month, and subject to change. We also currently require that you use Ovation online surveys, at the current cost of $63 per month, which is subject to change.

We may provide you with support, installation and set-up services for, use of, and/or access to certain cloud-based software (or other software) platform services, email addresses or accounts and/or other informational technology services or platforms, as we may determine from time to time in our sole discretion, in return for a fee of up to $125 per week (see Item 6), which is non-refundable, and subject to change at any time in our sole discretion. We currently do not charge this fee, but we may begin doing so at any time. We may discontinue or modify the provision of any informational technology platform or service at any time.

Training

Before your Business opens for business, you or your designated owner and your management team must attend and complete to our satisfaction a training program in the operation of a Business. The training program, while subject to change, is based upon which position is being trained, and will consist of the following:

TRAINING PROGRAM
(For Franchisee-Owner)

Subject	Hours of Classroom Training	Hours of On-The-Job Training	Location
Videos & Prep	2	6	Designated Fajita Pete's Business in Houston, Texas
Grill & Expo	2	6	Designated Fajita Pete's Business in Houston, Texas

Subject	Hours of Classroom Training	Hours of On-The-Job Training	Location
Tortilla & Steamtable	2	6	Designated Fajita Pete's Business in Houston, Texas
Order Preparation & Inspection	2	8	Designated Fajita Pete's Business in Houston, Texas
Flow of Kitchen, Prep List, Inventory, Product Ordering, Weekly Budget Worksheet	2	8	Designated Fajita Pete's Business in Houston, Texas
Weekly Budget Worksheet, KPI	2	8	Designated Fajita Pete's Business in Houston, Texas
POS Training	2	8	Designated Fajita Pete's Business in Houston, Texas
Delivery, Catering & 3rd Party Apps / Closing Procedures	2	6	Designated Fajita Pete's Business in Houston, Texas
Opening Procedures, Inventory, Ordering Review and Placement	2	10	Designated Fajita Pete's Business in Houston, Texas
Management, Marketing & Social Media	2	8	Designated Fajita Pete's Business in Houston, Texas
Review of all Manuals	6	10	Designated Fajita Pete's Business in Houston, Texas

TRAINING PROGRAM
(For Manager)

Subject	Hours of Classroom Training	Hours of On-The-Job Training	Location
Videos & Prep	2	6	Designated Fajita Pete's Business in Houston, Texas
Prep & Steamtable	2	12	Designated Fajita Pete's Business in Houston, Texas
Grill & Expo	2	8	Designated Fajita Pete's Business in Houston, Texas
Order Preparation & Inspection	2	10	Designated Fajita Pete's Business in Houston, Texas
Flow of Kitchen, Prep List, Inventory, Product Ordering, Weekly Budget Worksheet	2	10	Designated Fajita Pete's Business in Houston, Texas
Culture, Videos & Opening	4	12	Designated Fajita Pete's Business in Houston, Texas
Counter, Phone Calls, POS Training	2	8	Designated Fajita Pete's Business in Houston, Texas
Management, Marketing & Social Media	2	8	Designated Fajita Pete's Business in Houston, Texas
Delivery, Catering & 3rd Party Apps	2	8	Designated Fajita Pete's Business in Houston, Texas
Volume Shift	2	8	Designated Fajita Pete's Business in Houston, Texas
Opening Procedures, Inventory, Ordering Review and Placement	2	12	Designated Fajita Pete's Business in Houston, Texas

Subject	Hours of Classroom Training	Hours of On-The-Job Training	Location
Work & Close Tortilla station	2	8	Designated Fajita Pete's Business in Houston, Texas
Work & Close Grill Station	2	8	Designated Fajita Pete's Business in Houston, Texas
Work & Close Steamtable, Expo	2	12	Designated Fajita Pete's Business in Houston, Texas
Oversee Kitchen	2	20	Designated Fajita Pete's Business in Houston, Texas
Produce Orders	2	4	Designated Fajita Pete's Business in Houston, Texas
Primary Order and Inventory	2	10	Designated Fajita Pete's Business in Houston, Texas

TRAINING PROGRAM
(For Key Employees)

Subject	Hours of Classroom Training	Hours of On-The-Job Training	Location
Videos & Prep	2	4	Designated Fajita Pete's Business in Houston, Texas
Grill & Expo	2	8	Designated Fajita Pete's Business in Houston, Texas
Tortilla & Steamtable	2	8	Designated Fajita Pete's Business in Houston, Texas

Subject	Hours of Classroom Training	Hours of On-The-Job Training	Location
Order Preparation & Inspection	2	4	Designated Fajita Pete's Business in Houston, Texas
Flow of Kitchen, Prep List, Inventory, Product Ordering, Weekly Budget Worksheet	2	8	Designated Fajita Pete's Business in Houston, Texas
Culture, Videos & Opening	4	8	Designated Fajita Pete's Business in Houston, Texas
Counter, Phone Calls, POS Training	2	4	Designated Fajita Pete's Business in Houston, Texas
Delivery, Catering & 3rd Party Apps / Closing Procedures	2	4	Designated Fajita Pete's Business in Houston, Texas
Opening Procedures, Inventory, Ordering Review and Placement	2	8	Designated Fajita Pete's Business in Houston, Texas
Management, Marketing & Social Media	2	4	Designated Fajita Pete's Business in Houston, Texas
Open & Closing	2	8	Designated Fajita Pete's Business in Houston, Texas
Weekly Budget Worksheet, KPI	2	8	Designated Fajita Pete's Business in Houston, Texas
Back of House Management	2	4	Designated Fajita Pete's Business in Houston, Texas
Prep, Inventory & Ordering	2	4	Designated Fajita Pete's Business in Houston, Texas

Subject	Hours of Classroom Training	Hours of On-The-Job Training	Location
Front of House Management	2	4	Designated Fajita Pete's Business in Houston, Texas
Run the Show	0	24	Designated Fajita Pete's Business in Houston, Texas
Final Review	4	2	Designated Fajita Pete's Business in Houston, Texas

Mr. Mora, our Director, will administer our training program, along with our Director of Training and Certified Trainers. Mr. Mora is our founder, and has been involved in the day-to-day operations of Fajita Pete's since 2008. Our Director of Training and Certified Trainers generally have substantial operations experience, including currently a minimum of one year working with the Fajita Pete's brand, and with strong abilities in training and development. The instruction will include access to our Operations Manual and various handouts, on-the-job training, instructional videos and testing.

We may require at your expense that you (or your designated principal owner) attend additional training programs (up to 5 days per year) and conventions or national franchise meetings (up to 5 days per year).

For up to 2 weeks, as we may determine in our sole discretion, before, during and after the opening of the Business, we will furnish to you, at the premises and at our expense, at least one of our representatives for the purpose of facilitating the opening of the Business. If you request, and we agree to provide, additional assistance, you must reimburse us for our expense of providing this additional assistance, including salary, travel and lodging and expenses of our employees.

Business Opening

You must obtain lawful possession of the premises for the Business through lease or purchase within 120 days after signing the Franchise Agreement and open the Business within 240 days after signing the Franchise Agreement, unless you obtain a written extension of such time periods from us. If you fail to timely lease the premises or timely open, we have the right to terminate this Agreement upon written notice to you.

You will not execute a lease without our advance written approval. To obtain our approval, you must submit to us, in a form specified by us, a completed site approval package, which shall include: (i) a site approval form prescribed by us; (ii) a trade area and/or site marketing research analysis (prepared by a company approved in advance by us); (iii) an option contract, letter of intent, or other evidence satisfactory to us which describes your favorable prospects for obtaining such site; (iv) photographs of the site; (v) demographic statistics; (vi) the lease or purchase contract; and (vii) such other information or materials as we may reasonably require (collectively, the "SAP"). We will have 30 days after receipt of the SAP from you to approve or disapprove, in our sole discretion, the proposed site for the Business. In the event we do not approve a proposed site by written notice to you within this 30 day period, such site and lease or purchase contract shall be deemed disapproved. No site shall be deemed approved unless it has been expressly approved in writing by us. The lease for the premises must, if we require it, permit us to take possession of the premises under certain conditions if the Franchise Agreement is terminated. It must also contain the terms and provisions we reasonably approve.

We estimate that it will be up to 8 months after you sign the Franchise Agreement before you open your Business, but the interval may vary based on the following factors: the location and condition of the site, the Business's construction schedule, the extent to which you must upgrade or remodel an existing location, the delivery schedule for equipment and supplies, permits and licensing requirements, delays in securing financing arrangements and completing training, and your compliance with local laws and regulations. We can terminate the Franchise Agreement in the event you fail to obtain lawful possession of the premises for the Business through lease or purchase within 120 days after signing the Franchise Agreement or open the Business within 240 days after signing the Franchise Agreement, unless you obtain a written extension of such time periods from us. (Franchise Agreement – Section 3.6).

Participation in Promotions

You must participate in promotional programs developed by us for the System, in the manner directed in the Operations Manual or otherwise in writing. This includes participation in all programs and services for frequent customers and other categories, such as loyalty programs developed from time to time, which may include providing discounts. Currently we offer our customers the opportunity to receive "Pete's Pesos," as set forth in the Operations Manual or otherwise in writing.

You must also sell or otherwise issue gift cards or certificates (together "Gift Cards") that have been prepared utilizing the standard form of Gift Card provided or designated by us, and only in the manner specified in the Operations Manual or otherwise in writing. You must fully honor all Gift Cards that are in the form provided or approved by us regardless of whether a Gift Card was issued by you, us or another Fajita Pete's Business. You must sell, issue, and redeem (without any offset against any Royalty Fee, Marketing Fee or other required payment) Gift Cards in accordance with procedures and policies specified by us in the Operations Manual or otherwise in writing, including those relating to procedures by which we request reimbursement for Gift Cards issued by other Fajita Pete's Businesses and for making timely payment to us, other operators of Fajita Pete's Businesses, or a third-party service provider for Gift Cards issued from the Business that are honored by us or other Fajita Pete's Business operators. We will control all revenue received through the sale or issuance of Gift Cards regardless of whether such Gift Cards were sold or issued by you, us or another Fajita Pete's Business, and you are not entitled to any of this revenue unless a Gift Card is redeemed at your Business. All unredeemed Gift Card revenue received by us shall inure solely and exclusively to our benefit.

Item 12

TERRITORY

Franchise Agreement

You may operate the Business only from the approved site. You will be granted a market area (the "Market Area") in which your Business will be located. However, if your Business is located in a Non-Traditional Site, as described below, or in a major metropolitan location, we reserve the right to not grant you a Market Area. The Market Area will be determined, in our sole discretion, by drive time radiuses and population density, among other factors. We also reserve the right to define the Market Area by street boundaries, municipal boundaries, expressways, railroad tracks or other similar bounding descriptions. The Market Area will be described in an Exhibit to the Franchise Agreement and may be depicted on a map attached to the Exhibit. Provided you are in compliance with the Franchise Agreement, neither we nor our affiliates will grant a franchise for the establishment of another Fajita Pete's Business to be located within the Market Area. The Market Area is not the same area as, and will be smaller than, the site selection area in which you will be looking for a site.

Your will be limited to offering and selling products from the Business, and only to retail customers of the Business (a) for customer consumption at the Business, (b) for customer carry-out consumption of products sold at the Business, (c) through off-Premises catering and home delivery services and (d) through third-party food ordering and delivery service providers approved by us; provided that all such activities shall be conducted only in accordance with the requirements of this Agreement and the procedures set forth in the Operations Manual (as defined in Section 5.1 below) and all applicable laws.

You will be limited to directly soliciting customers and/or advertising sales within the Market Area. You cannot directly solicit or advertise sales to persons located outside of the Market Area. Determination of what constitutes "direct" solicitation or advertising shall be determined in our sole judgment, but shall include direct mail and telephone solicitation. You (a) may engage in marketing and advertising efforts approved by us, such as Internet, social media or other mass media marketing efforts outside of the Market Area so long as such activities are ancillary to marketing activities within the Market Area and (b) will be permitted to provide services and sell products to customers located outside the Market Area (and perhaps in the Market Area of another Fajita Pete's Business) so long as such customers have not been obtained as a result of your direct soliciting or advertising activities outside the Market Area. In the event of any dispute as to whether or not soliciting or advertising activities have been conducted outside the Market Area, such dispute shall be submitted for determination by us and our decision shall be final and binding upon you and such other franchisee(s).

You may not offer or sell any products or services at wholesale without our prior written consent. You may not sell any products by mail order or over the Internet (or any other electronic modem) without our prior written consent. You acknowledge that our affiliates and other franchisees may sell to customers wherever located subject to the solicitation or advertising prohibitions described above. You shall have no rights to any such sales by us or our other franchisees.

We reserve all rights not granted in the Franchise Agreement, including (by way of example and not as a limitation), (a) the right to operate or grant others the right to operate Businesses located outside the Market Area on terms and conditions we deem appropriate; (b) the right to produce and sell products using the Marks or other commercial symbols through other channels of distribution according to terms and conditions we deem appropriate; (c) the right to operate or grant others the right to operate Businesses or similar restaurant or business facilities at Non-Traditional Sites at any location within or outside the Market Area. "Non-Traditional Sites" shall mean outlets that serve primarily the customers located within a facility, such as captive audience facilities (examples include, but are not limited to, parks charging admission, stadiums, amusement parks and centers, theaters and art centers), limited purpose facilities (examples include, but are not limited to, airports, transportation centers, department stores, in-door shopping centers or malls, business and industrial complexes, museums, educational facilities, hospitals, art centers, and recreational parks), limited access facilities (examples include, but are not limited to, military complexes, buyer club businesses, educational facilities, business and industrial complexes), and other types of institutional accounts; and (d) the right to operate other retail outlets or enter into other lines of business offering similar or dissimilar products or services under trademarks and service marks other than the Marks. We do not need to pay you any compensation for soliciting or accepting orders within the Market Area in one of the manners described in this paragraph.

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.

In the event your Business is destroyed or rendered unusable by fire or other casualty, we may grant permission for the Business to be repaired, restored or reconstructed at the Premises or any other agreed upon location. We may also grant you permission to relocate your Business if you lose your right to occupy the Premises through no fault of your own. Any repair, restoration, reconstruction or relocation will be at your sole expense. The Business, whether we grant permission for you to repair, restore, reconstruct or relocate, must be open and operating no later than 6 months after its closure. In addition, within 10 days of vacating your Business, you must make such reasonable modifications to the exterior and interior as we require to fully eliminate its identification and appearance as a Fajita Pete's Business. If you fail or refuse to fully de-identify your Business to the extent and in the manner we require, we may make modifications on your behalf and you agree to promptly pay and reimburse us on demand for any costs incurred. You also agree to pay us a fee on or before your Business re-opens equal to 25% of our then current initial franchise fee for a Fajita Pete's Business franchise in the event you relocate your Business.

There is no provision in the Franchise Agreement for relocation of the Business during the term or for the establishment of additional Businesses. You may not relocate the Business without our approval. Whether or not we would allow relocation depends on the circumstances at the time and what is in the Business's best interest and what is in the System's best interest. If you are unable to maintain possession of the premises of the Business upon renewal, we will allow you to relocate the Business to another acceptable location provided you expeditiously develop the premises in compliance with our standards and specifications.

You have no options or rights of first refusal to purchase additional Fajita Pete's franchises. Continuation of rights to your Market Area is not dependent on achievement of any specific sales volume, market penetration or any other contingency. There are no other circumstances which allow us to modify your Market Area or your territorial rights.

Neither we nor our affiliates operate, franchise, or have present plans to operate or franchise a business under a different trademark that sells or will sell goods or services similar to those you will sell. However, we reserve the right to do so in the future.

Area Development Agreement

If you sign an Area Development Agreement with us, we will grant you rights in a Development Area to establish a certain number of Businesses. The Designated Area will vary widely depending on the market where you are looking to develop Businesses. We will identify the Development Area by streets or other natural boundaries. There is no minimum size for the Designated Area. If you are in full compliance with the Area Development Agreement and all Franchise Agreements, we will not establish, or grant any other party the rights to establish Businesses in the Development Area prior to the expiration of the Area Development Agreement's term. Subject to this limitation, we reserve, on behalf of ourselves and our affiliate, all other rights, including the right to own, acquire, establish and/or operate and license others to establish and operate other retail or restaurant outlets or enter into other lines of businesses offering similar or dissimilar products or services under trademarks or service marks other than the Marks, and the right to own, acquire, establish and/or operate and license others to establish and operate Fajita Pete's Businesses at Non-Traditional Sites (as defined above).

Except with respect to your development obligations described in the Area Development Agreement, continuation of your Development Area exclusivity does not depend on your achieving a certain sales volume, market penetration or other contingency.

Item 13

TRADEMARKS

We grant you the right to operate your Business under the name "Fajita Pete's," our principal trademark. You may also use our other current or future trademarks we approve to identify your Business.

We have registered the following Marks on the principal register of the United States Patent and Trademark Office ("USPTO"), including the filing of all required affidavits:

Mark	Registration Number	Registration Date
FAJITA PETE'S (Class 43)	3914035	February 1, 2011

(Class 43)	5847028	August 27, 2019
(Class 43)	5928317	December 3, 2019

There are no currently effective material determinations of the USPTO, trademark trial and appeal board, the trademark administrator or of any state, pending infringement, opposition or cancellation or pending material litigation involving our principal trademarks. Except as otherwise described, there are no other agreements in effect which materially affect our rights to use or license the use of the Marks in a manner material to the franchise. We do not actually know of either superior rights or infringing uses that could materially affect your use of the Marks in any state.

Your right to use the Marks is derived solely from the Franchise Agreement and is limited to your conduct of business in compliance with the Franchise Agreement and all applicable specifications, standards and operating procedures we prescribe during the term of the franchise. Any unauthorized use of the Marks by you will constitute an infringement of our rights in and to the Marks. Your usage of the Marks and any goodwill established by your usage of the Marks will be for our exclusive benefit and the Franchise Agreement does not confer any goodwill or other interests in the Marks upon you. All provisions of the Franchise Agreement applicable to the Marks will apply to any additional proprietary trade and service marks and commercial symbols authorized for use by and licensed to you under the Franchise Agreement. You may not at any time during or after the term of the Franchise Agreement contest, or assist any other person in contesting, the validity or ownership of any of the Marks.

You must use the Marks as the sole identification of the Business, provided that you must identify yourself as the independent owner of the Business in the manner we prescribe. You may not use any Mark as part of any corporate or trade name, or with any prefix, suffix, or other modifying words, terms, designs or symbols, or in any modified form, nor may you use any Mark with the sale of any unauthorized service or in any other manner we have not expressly authorized in writing. You must prominently display the Marks on or with Business posters and displays, service contracts, stationery, other forms we designate, and in the manner we prescribe, give the notices of trade and service mark registrations and copyrights we specify, and obtain the fictitious or assumed name registrations as may be required under applicable law.

You must immediately notify us of any apparent infringement of or challenge to your use of any Mark, or claim by any person of any rights in any Mark, and you may not communicate with any person other than us and our counsel about any infringement, challenge or claim. We and our affiliates will have sole discretion to take any action we deem appropriate and the right exclusively to control any litigation or USPTO or other proceeding arising out of any infringement, challenge or claim or otherwise relating to any Mark and you must execute any and all instruments and documents, render assistance and do the acts and things as may, in the opinion of our or our affiliates' counsel, be necessary or advisable to protect and maintain our interests in any litigation or USPTO or other proceeding or to otherwise protect and maintain our interests in the Marks.

If it becomes advisable at any time in our sole judgment for the Business to modify or discontinue the use of any Mark or for the Business to use one or more additional or substitute trademarks or service marks, you agree at your expense, to comply with our directions to modify or otherwise discontinue the use of the Mark, or use one or more additional or substitute trademarks or service marks, within a reasonable time after our notice to you.

We will indemnify you against, and reimburse you for, all damages for which you are held liable in any proceeding arising out of your use of any Mark, in compliance with the Franchise Agreement, and for all costs you reasonably incur in the defense of any claim brought against you or in any proceeding in which you are named as a party, provided that you have timely notified us of the claim or proceeding and have otherwise complied with the Franchise Agreement. We, in our discretion, will be entitled to defend any proceeding arising out of your use of any Mark under the Franchise Agreement, and, if we undertake the defense of the proceeding, we will have no obligation to indemnify or reimburse you for any fees or disbursements of counsel you retain.

Item 14

PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION

No patents or pending patent applications are material to the franchise. You can use the proprietary information in our Operations Manual. Our Operations Manual is described in Item 11. Although we have not filed an application for a copyright registration for our Operations Manual, we claim copyright protection in it and it is proprietary. We are not obligated to take any action for unauthorized uses of the information contained in our Operations Manual, but, in appropriate circumstances, we intend to do so. We have no obligation to indemnify you for losses brought by you concerning your use of this information, but, under appropriate circumstances, we intend to do so. We are not aware of any infringing uses of this information. There are no agreements in effect affecting our right to use this information.

We and our affiliates have developed proprietary confidential information comprising methods, techniques, procedures, information, systems and knowledge of and experience in the design and operation of Businesses including (1) secret recipes, proprietary products, and methods of efficiently and cost-effectively preparing and serving food, beverage and other products sold at Businesses; (2) knowledge of test programs, concepts or results relating to new menu items or categories; (3) sources of products sold from Businesses; (4) advertising and promotional programs; (5) Business image and decor; (6) methods, techniques, formats, specifications, procedures, information, systems and knowledge of and experience in the development, operation, and franchising of Businesses; and (7) the selection and methods of training managers, cooks and other employees. We will disclose the confidential information to you in the initial training program, the Operations Manual and in guidance furnished to you during the term of the Franchise. You will not acquire any interest in the confidential information other than the right to utilize it in the development and operation of your Business during the term of the franchise.

The confidential information is proprietary and, except to the extent that it is or becomes generally known in the Business industry or trade, the confidential information is our trade secret and is disclosed to you solely for your use in the operation of the Business during the term of the franchise. You (1) must not use the confidential information in any other business or capacity; (2) must maintain the confidentiality of the confidential information during and after the term of the Franchise; (3) must not make unauthorized copies of any portion of the confidential information disclosed in written form; and (4) must adopt and implement all reasonable procedures prescribed periodically to prevent unauthorized use or disclosure of any of the confidential information, including without limitation, restrictions on disclosure to employees of the Business and the use of nondisclosure clauses in employment agreements with these employees.

Item 15

OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISE BUSINESS

The Business at all times must be under the direct, on-premises supervision of you (or your designated principal owner). You (or your designated principal owner) must complete our required training program and must devote full time and efforts to the management of the Business. You must hire a management team and employees and you will be exclusively responsible for the terms of their employment, their compensation, and for the proper training of the employees in the operation of the Business. Subject to our prior written approval, you may hire an experienced manager to assist you in the direct, on-premises supervision of the Business (the “General Manager”). We reserve the right to approve of the individual hired to assume this role of General Manager.

The management team must complete our required training programs (if we require such training). You must establish at the Business a training program for all other employees using our Operations Manual. All employees must maintain a neat and clean appearance and to conform to the standards of dress and/or uniforms we specify from time to time for all Businesses. All employees must render prompt, efficient and courteous service to all customers of the Business. Neither you nor your principal owner nor your management team can engage in any other business or activity that may conflict with your or their obligations under the Franchise Agreement. You, your principal owner and your management team must maintain our trade secrets and abide by our covenants not to compete.

If you are an entity, all of your owners must sign a Principal Owner’s Guaranty (which is attached to the Franchise Agreement as Exhibit A) agreeing to be bound by and guaranteeing the obligations of the "Franchisee" under the Franchise Agreement. If the Franchise Agreement is subsequently assigned to a corporation, partnership or limited liability company, your owners must agree to be bound by the terms of the Franchise Agreement and guarantee the obligations of the Franchisee under the Franchise Agreement.

In order to prevent any interruption of the operations which would cause harm to the Business, we have the right, but not the obligation, to step-in and designate an individual of our choosing (an "Interim Manager") to temporarily manage the Business in the event that: (a) you fail to comply with any provision of the Franchise Agreement and do not cure this failure; (b) we determine that the operation of the Business is in jeopardy; (c) we determine that operational problems and deficiencies require that we operate the Business; (d) you abandon or fail to actively operate the Business; (e) your designated principal owner or designated operator dies or is determined to be temporarily or permanently disabled; or (f) we deem you incapable of operating the Business ("Step-in Rights"). If we exercise our Step-in Rights, then: (a) we will keep in a separate account all monies generated by the operation of the Business, less the expenses of the Business, including reasonable compensation and expenses for our representatives (including an Interim Manager) as well as other expenses incurred; (b) you agree to hold us and our representatives harmless for all actions occurring during the course of such temporary management of the Business and acknowledge that the Interim Manager and such representatives will have no liability to you, except to the extent directly caused by gross negligence or willful misconduct; (c) you agree to pay us our then current management fee (see Item 6); (d) you agree to pay us, in addition to the management fee, all of our reasonable costs and expenses, including, but not limited to, attorneys' fees incurred as a consequence of exercising our Step-in Rights; and (e) you acknowledge that us and our representatives (including an Interim Manager) will have a duty to utilize only reasonable efforts and will not be liable to you or your owners for any debts, losses, damages, or obligations you or the Business incur, or to any of your or the Business's suppliers, vendors or creditors for any supplies, products, or other assets or services you or the Business purchases, while managed by us or an Interim Manager. This is in addition to all other remedies available to us under the Franchise Agreement and at law.

Item 16

RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

We require that you offer and sell only those products and services we have approved for Businesses. You must offer all goods and services that we designate for Businesses. We have the right to add new or additional products and services which you must offer at your Business. There are no restrictions in the Franchise Agreement on our right to do this. You may operate a retail but not a wholesale business from the Business (see Item 12).

Item 17

RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION

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

THE FRANCHISE RELATIONSHIP

Provision	Section in Franchise or Related Agreement	Summary
a. Length of the franchise term	Section 2.1 of the Franchise Agreement	10 years
b. Renewal or extension of the term	Section 2.9 of the Franchise Agreement	1 additional term of 10 years.
c. Requirements for franchisee to renew or extend	Section 2.9 of the Franchise Agreement	You must: maintain possession of premises and refurbish and redecorate in compliance with our then current requirements or obtain and develop suitable substitute premises; correct any deficiencies in the operation of the Business identified in our written notice to you prior to expiration; sign our then current form or franchise agreement and any ancillary documents; and sign a general release of any and all claims against us, our officers, directors, employees and agents. The terms of our then current form of franchise agreement that you sign for renewal of the franchise may differ materially from any and all of those contained in the Franchise Agreement attached to this Disclosure Document, including differing fees and territorial rights.
d. Termination by franchisee	Not applicable	Not applicable
e. Termination by franchisor without cause	Not applicable	Not applicable
f. Termination by franchisor with cause	Section 15 of the Franchise Agreement; Section 8 of the Area Development Agreement	We may terminate the Franchise Agreement only upon written notice to you. We may terminate the Area Development Agreement only upon written notice to you.

Provision	Section in Franchise or Related Agreement	Summary
g. "Cause" defined – curable defaults	Section 15 of the Franchise Agreement	Under the Franchise Agreement, if you do not pay us within 10 days after written notice; you do not comply with any other provision of the franchise agreement or specification, standard or operating procedure and do not correct the failure within 30 days after written notice. Under the Area Development Agreement, there are no curable defaults.
h. "Cause" defined – non-curable defaults	Section 15 of the Franchise Agreement; Section 8 of the Area Development Agreement	Under the Franchise Agreement, you fail to timely lease, purchase develop or open the Business; you or your principal owner fails to complete the training program; you abandon, surrender, transfer control of or do not actively operate the Business or lose the right to occupy the location of the Business; you or your principal owner make an unauthorized transfer or assignment of the franchise or assets of the Business; you are adjudged a bankrupt, become insolvent or make an assignment for the benefit of creditors; you or your principal owners are convicted of a felony or are convicted or plead no contest to any crime or offense that adversely affects the reputation of the Business and the goodwill of our Marks; you violate any health or safety law or ordinance or regulation or operate the Business that creates a health or safety hazard; you fail to pay when due any monies owed to us or our affiliates or any supplier and do not correct such failure within 10 days; you knowingly

Provision	Section in Franchise or Related Agreement	Summary
		maintain false books or records, or knowingly submit any false statements or reports to us; you disclose, divulge or use confidential information contrary to the terms of the Franchise Agreement, or you fail to comply with the non-competition provisions; you impair the reputation or goodwill associated with the System; or you fail on 2 or more occasions within any consecutive 12 month period to comply with the franchise agreement whether or not your failures to comply are corrected after notice to you. Under the Area Development Agreement, you fail to satisfy your development obligations or any franchise agreement executed by you for the operation of a Business is terminated for any reason.
i. Franchisee's obligations on termination/non-renewal	Section 16 of the Franchise Agreement	You must pay all amounts owed, refrain from using our Marks, return to us or destroy, as we specify, all customer lists, software, forms and materials bearing our Marks or relating to the Business, de-identify the premises, return the Operations Manual and cease using all confidential information and abide by the post-term non-compete.
j. Assignment of contract by franchisor	Section 14.2 of the Franchise Agreement; Section 9 of the Area Development Agreement	The Franchise Agreement and Area Development Agreement are fully transferable by us.
k. "Transfer" by franchisee-	Section 14.3 of the	Transfer includes any voluntary,

Provision	Section in Franchise or Related Agreement	Summary
defined	Franchise Agreement;	involuntary, direct or indirect assignment, sale, gift, exchange, grant of a security interest or change of ownership in the franchise agreement, the Business or any interest in the franchise.
l. Franchisor approval of transfer by franchisee	Section 14.4 of the Franchise Agreement; Section 9 of the Area Development Agreement	We will not unreasonably withhold approval of the Franchise Agreement. We will not approve any assignment of the Area Development Agreement, except in connection with the assignment of all franchise agreements to which you are a party, provided that all franchise agreements are assigned to the same individual or entity.
m. Conditions for franchisor approval of transfer	Section 14.4 of the Franchise Agreement	Proposed new owner must have sufficient business experience, aptitude and financial resources to operate the Business; you must pay all amounts due us and our affiliates; proposed new owner and its management team (if we require) must successfully complete our training program; your landlord must consent to transfer of the lease; you must pay us a transfer fee of 50% of our then current initial franchise fee; you and your principal owners must deliver a general release in favor of us and our officers, directors, employees and agents; new owner must agree to remodel to bring the Business to current standards; new owner must assume all obligations under your franchise agreement or, at our option, sign a new franchise agreement on our then current form.

Provision	Section in Franchise or Related Agreement	Summary
n. Franchisor's right of first refusal to acquire franchisee's business	Section 14.7 of the Franchise Agreement	We have 30 days to match any offer.
o. Franchisor's option to purchase franchisee's business	Sections 16.6 and 16.7 of the Franchise Agreement	We have the option for 30 days to purchase the Business upon termination or expiration of the franchise agreement at fair market value, including obtaining a lease for real estate on existing terms. If you own the Business property, we also have the right to purchase any property on which the Business is located at fair market value. If we cannot agree on fair market value (or fair rental value), the value will be determined by an appraisal process.
p. Death or disability of franchisee	Section 14.5 of the Franchise Agreement	Executor, administrator or other personal representative must transfer interest of franchisee or principal owner within 12 months. All transfers are subject to provisions in franchise agreement regulating transfers.
q. Non-competition covenants during the term of the franchise	Section 8 of the Franchise Agreement	Neither you nor your principal owners nor any immediate family members of you or your principal owners may perform services for or have any interest in any similar restaurant business.
r. Non-competition covenants after the franchise is terminated or expires	Section 16.5 of the Franchise Agreement	You and your principal owners are prohibited from performing services for or having an interest in any similar restaurant business for 2 years within 25 miles of the Business or any other Fajita Pete's Business.
s. Modification of the agreement	Section 17.12 of the Franchise Agreement; Section 19 of the Area	No modifications unless both parties consent.

Provision	Section in Franchise or Related Agreement	Summary
	Development Agreement	
t. Integration/merger clause	Section 17.12 of the Franchise Agreement; Section 19 of the Area Development Agreement.	Only the terms of the Franchise Agreement and Area Development Agreement are binding (subject to state law). However, nothing in the Franchise Agreement or Area Development Agreement is intended to disclaim our representations made in this Disclosure Document. Any representations or promises outside of the Disclosure Document and Franchise Agreement may not be enforceable.
u. Dispute resolution by arbitration or mediation	Section 17.7 of the Franchise Agreement; Section 14 of the Area Development Agreement	All controversies, disputes or claims subject to arbitration in the city in which our headquarters is located.
v. Choice of forum	Section 17.8 of the Franchise Agreement; Section 15 of the Area Development Agreement	All actions which are not required to be arbitrated must be brought in a court of competent jurisdiction in Texas (subject to applicable state law).
w. Choice of law	Section 17.9 of the Franchise Agreement; Section 16 of the Area Development Agreement	Texas law governs, except for matters regulated by the United States Trademark Act (subject to applicable state law).

Item 18

PUBLIC FIGURES

We do not use any public figures to promote our franchise, but we reserve the right to do so in the future.

Item 19

FINANCIAL PERFORMANCE REPRESENTATIONS

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

The following Table 1 includes the actual Gross Sales, cost of sales, labor cost, gross sales per outlet square foot, gross sales per guest check and gross sales related to pick-up, delivery or catering achieved during the year ending December 31, 2024 by the Fajita Pete's Business owned and operated by our Chief Operations Officer through his company, P.M.G. Catering, LLC, located at 6719 Weslayan Street, Houston, Texas 77005, which originally opened August 2008. For purposes of the following tables, we consider this Fajita Pete's Business to be an affiliate-owned outlet.

The following Table 2 includes the actual average Gross Sales, cost of sales, labor cost, gross sales per outlet square foot, gross sales per guest check and gross sales related to pick-up, delivery or catering achieved during the year ending December 31, 2024, by the 26 franchisee-owned Fajita Pete's Businesses that were opened for the entire year of 2024.

The following Table 3 includes the actual average Gross Sales, cost of sales, labor cost, gross sales per outlet square foot, gross sales per guest check and gross sales related to pick-up, delivery or catering achieved during the year ending December 31, 2024, by the 1 affiliate-owned Fajita Pete's Business reflected in Table 1 and the 26 franchisee-owned Fajita Pete's Businesses reflected in Table 2.

We have not reported figures for other Fajita Pete's Businesses that did not operate for the entire year of 2024.

"Gross Sales" means all revenue related to the Fajita Pete's Business (excluding customer refunds and credits and sales taxes collected and remitted to the proper authorities).

"Average Gross Sales" is calculated by dividing the total Gross Sales for all reported Fajita Pete's Businesses by the number reported Fajita Pete's Businesses.

"Median Gross Sales" is determined by reviewing each reported Fajita Pete's Businesses' Gross Sales and taking the Gross Sales figure where half of the reported Gross Sales figures are higher, and half of the reported Gross Sales figures are lower.

The Fajita Pete's Businesses in the tables below have sold the reported amounts. Your individual results may differ. There is no assurance you will sell as much.

The below figures do not reflect all costs of sales, operating expenses, or other costs or expenses, such as rent, utilities, interest, royalties and advertising, that must be deducted from gross revenues or Gross Sales figures to obtain your net income or profit. You should conduct an independent investigation of the costs and expenses you will incur in operating your Fajita Pete's Business. Franchisees or former franchisees, listed in this Disclosure Document, may be one source of this information.

We have compiled the following information related to our former affiliate from internal, unaudited financial statements for the period indicated. These financial statements were not prepared in accordance with Generally Accepted Accounting Principles (GAAP), but are believed to be reliable. The following information related to our franchisees results were obtained from reports provided by our franchises for the periods reported, and have not been verified beyond receipt of such reports. Written substantiation of the data used in preparing these sales figures will be made available to you upon reasonable request.

Table 1

Results for the 1 Reported Affiliate-Owned Fajita Pete's Businesses For the Period from January 1, 2024 through December 31, 2024	
Gross Sales	$2,178,614
Cost of Sales	27.78%
Labor Cost	13.18%
Gross Sales Per Outlet Square Foot	$1,320.37
Gross Sales Per Guest Check	$76.82
Gross Sales Related to Pick-Up, Delivery or Catering	99.52%

Table 2

Results for the 26 Reported Franchisee-Owned Fajita Pete's Businesses For the Period from January 1, 2024 through December 31, 2024					
	Average	Number of Businesses Higher Than Average	Median	High	Low
Gross Sales	$713,878	12 of 26	$686,102	$1,121,139	$411,259
Cost of Sales	28.22%	11 of 26	28.53%	33.64%	19.49%
Labor Cost	22.49%	12 of 26	22.62%	35.90%	12.83%
Gross Sales Per Outlet Square Foot	$541.76	10 of 26	$487.02	$937.56	$287.73
Gross Sales Per Guest Check	$77.14	10 of 26	$70.22	$133.54	$55.26
Gross Sales Related to Pick-Up, Delivery or Catering	99.10%	18 of 26	99.65%	100%	96.46%

Table 3

Results for the 26 Reported Franchisee-Owned Fajita Pete's Businesses And the 1 Reported Affiliate-Owned Fajita Pete's Businesses For the Period from January 1, 2024 through December 31, 2024					
	Average	Number of Businesses Higher Than Average	Median	High	Low
Gross Sales	$794,567	10 of 27	$704,247	$2,178,614	$411,259
Cost of Sales	28.20%	12 of 27	28.32%	33.42%	19.49%
Labor Cost	22.14%	13 of 27	22.39%	32.90%	12.83%
Gross Sales Per Outlet Square Foot	$570.60	10 of 27	$497.08	$1,320.37	$287.73
Gross Sales Per Guest Check	$77.13	9 of 27	$70.91	$133.54	$55.26
Gross Sales Related to Pick-Up, Delivery or Catering	99.98%	6 of 27	99.60%	100%	96.46%

Notes:

(1) The cost of paper goods, beer, margaritas and cleaning chemicals are included in the cost of sales figures. Paper goods include to-go/delivery boxes, napkins, plastic plates, plastic utensils, disposable cups, and other miscellaneous disposable items.

(2) The cost of sales figures are presented as a percentage of Gross Sales, and were calculated using the following formula:

$$\frac{\text{Cost of Sales}}{\text{Gross Sales}}$$

(3) The labor cost figures include hourly payroll, salaries and payroll taxes. The labor cost figures do not include worker's compensation insurance other forms of insurance, employee meals or other benefits.

(4) The labor cost figures are presented as a percentage of Gross Sales, and were calculated using the following formula:

$$\frac{\text{Labor Cost}}{\text{Gross Sales}}$$

(5) Gross Sales related to pick-up, delivery or catering means all revenue related to a Fajita Pete's Business, excluding dine-in sales.

(6) Historical sales, expenses, income or profit may not correspond to future sales, expenses, income and profit due to a variety of factors. A new franchisee's individual financial results may differ from the results stated in this financial performance representation.

(7) The affiliate-owned units reported above offer substantially the same products and services to the public as you will as a franchisee operating a franchised unit.

Other than the preceding financial performance representation, 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 Joseph P. Eguia, Fajita Pete's Franchising LLC, 6719 Weslayan Street, Houston, Texas 77005, (281) 800-7774, the Federal Trade Commission, and the appropriate state regulatory agencies.

Item 20

OUTLETS AND FRANCHISEE INFORMATION

Table No. 1

Systemwide Outlet Summary
For years 2022 to 2024

Column 1 **Outlet Type**	**Column 2** **Year**	**Column 3** **Outlets at the Start of the Year**	**Column 4** **Outlets at the End of the Year**	**Column 5** **Net Change**
Franchised	2022	23	30	+7
	2023	30	27	-3
	2024	27	30	+3
Company-Owned or Affiliate-Owned	2022	1	1	0
	2023	1	1	0
	2024	1	2	+1
Total Outlets	**2022**	**24**	**31**	**+7**
	2023	**31**	**28**	**-3**
	2024	**28**	**32**	**+4**

Table No. 2

Transfers of Outlets from Franchisees to New Owners (other than the Franchisor)
For years 2021 to 2023

Column 1 State	Column 2 Year	Column 3 Number of Transfers
Texas	2022	3
	2023	11
	2024	4
Totals	**2022**	**3**
	2023	**11**
	2024	**4**

Table No. 3

Status of Franchised Outlets
For years 2022 to 2024

Col. 1 State	Col. 2 Year	Col. 3 Outlets at Start of Year	Col. 4 Outlets Opened	Col. 5 Terminations	Col. 6 Non-Renewals	Col. 7 Reacquired by Franchisor	Col. 8 Ceased Operations Other Reasons	Col. 9 Outlets at End of the Year
Colorado	2022	0	2	0	0	0	0	2
	2023	2	0	0	0	0	2	0
	2024	0	0	0	0	0	0	0
Illinois	2022	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	0
	2024	0	1	0	0	0	0	1
Kansas	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
	2024	1	0	0	0	0	0	1
Penn	2022	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	0
	2024	0	1	0	0	0	0	1
Texas	2022	22	8	1	0	0	2	27
	2023	27	1	0	0	0	2	26
	2024	26	2	0	0	0	1	27
Totals	**2022**	**23**	**10**	**1**	**0**	**0**	**2**	**30**
	2023	**30**	**1**	**0**	**0**	**0**	**4**	**27**
	2024	**27**	**4**	**0**	**0**	**0**	**1**	**30**

Table No. 4

Status of Company-Owned or Affiliate-Owned Outlets
For years 2022 to 2024

Col. 1 State	Col. 2 Year	Col. 3 Outlets at Start of Year	Col. 4 Outlets Opened	Col. 5 Outlets Reacquired From Franchisee	Col. 6 Outlets Closed	Col. 7 Outlets Sold to Franchisee	Col. 8 Outlets at End of the Year
Texas	2022	1	0	0	0	0	1
	2023	1	0	0	0	0	1
	2024	1	1	0	0	0	2
Totals	**2022**	**1**	**0**	**0**	**0**	**0**	**1**
	2023	**1**	**0**	**0**	**0**	**0**	**1**
	2024	**1**	**1**	**0**	**0**	**0**	**2**

Table No. 5

Projected Openings as of December 31, 2024

Column 1 State	Column 2 Franchise Agreements Signed But Outlet Not Opened	Column 3 Projected New Franchised Outlets In The Next Year	Column 4 Projected New Company-Owned or Affiliate-Owned Outlets In the Next Year
Arizona	5	0	0
Illinois	3	0	0
Kansas	2	0	0
Pennsylvania	2	0	0
Texas	43	5	0
Puerto Rico	3	1	0
Totals	**58**	**6**	**0**

The outlets listed in Column 2 of Table No. 5 include outlets to be developed under Area Development Agreements.

As described in Item 1, our Chief Operations Officer, Pedro Mora, owns and operates the original Fajita Pete's Business location through his company, P.M.G. Catering, LLC, under a special Franchise Agreement, which opened August 2008. Our Chief Operations Officer also owns and operates a second location through his company, FP Bellaire LLC, under a standard Franchise Agreement, which opened April 2024. Each of these outlets is shown above as an affiliate-owned outlet.

A list of the names of all franchisees and developers and the addresses and telephones numbers of their franchises is provided in Exhibit G to this Disclosure Document.

A list of franchisees and developers who were terminated, cancelled, or not renewed or otherwise voluntarily or involuntarily ceasing to do business under a Franchise Agreement with us is also provided in Exhibit G to this Disclosure Document. There are no franchisees who have not communicated with us within 10 weeks of the issuance date of this Disclosure Document.

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

No franchisees or third party operators have signed confidentiality clauses restricting their ability to speak openly about their experiences with the System.

In some instances, current and former franchisees sign provisions restricting their ability to speak openly about their experience with us. You may wish to speak with current and former franchisees, but be aware that not all such franchisees will be able to communicate with you.

There are currently no trademark-specific franchisee organizations associated with the System.

Item 21

FINANCIAL STATEMENTS

Attached as Exhibit D are our audited financial statements for the fiscal years ending December 31, 2024, 2023 and 2022. Our fiscal year ends December 31st.

Item 22

CONTRACTS

The following contracts are attached to this Disclosure Document:

Exhibit B – Franchise Agreement, including the following agreements:

- Principal Owner's Guaranty (as Exhibit A)
- Authorization for Prearranged Payments (as Exhibit D)
- Non-Disclosure Agreement for Employees (as Exhibit E)
- Option for Assignment of Lease (as Exhibit F)
- Franchisee Disclosure Acknowledgment Statement (as Exhibit G)

Exhibit C – Area Development Agreement, including the following agreements:

- Guaranty and Assumption of Obligations (as Exhibit C)

EXHIBIT A

STATE ADMINISTRATORS/AGENTS FOR SERVICE OF PROCESS

If a state is not listed, we have not appointed an agent for service of process in that state in connection with the requirements of the franchise laws. There may be states in addition to those listed below in which we have appointed an agent for service of process.

There also may be additional agents appointed in some of the states listed.

CALIFORNIA	CONNECTICUT
Department of Financial Protection and Innovation: 320 West 4th Street, Suite 750 Los Angeles, CA 90013 (213) 576-7500 Toll Free (866) 275-2677 2101 Arena Boulevard Sacramento, CA 95834 (916) 445-7205 1350 Front Street San Diego, CA 92101 (619) 525-4233 One Sansome Street, Suite 600 San Francisco, CA 94105 (415) 972-8559 Agent: California Commissioner of Financial Protection and Innovation	State of Connecticut Department of Banking Securities & Business Investments Division 260 Constitution Plaza Hartford, CT 06103-1800 (860) 240-8230 Agent: Banking Commissioner

HAWAII	ILLINOIS
Commissioner of Securities Department of Commerce and Consumer Affairs 335 Merchant Street Honolulu, Hawaii 96813 (808) 586-2744 Agent: Commissioner of Securities of the Department of Commerce and Consumer Affairs	Franchise Division Office of Attorney General 500 South Second Street Springfield, Illinois 62706 (217) 782-4465 Agent: Illinois Attorney General
INDIANA Franchise Section Indiana Securities Division Room E-111 302 West Washington Street Indianapolis, Indiana 46204 (317) 232-6681 Agent: Indiana Secretary of State Indiana Securities Division 201 State House 200 West Washington Street Indianapolis, IN 46204 (317) 232-6531	**MARYLAND** Office of the Attorney General Securities Division 200 St. Paul Place Baltimore, Maryland 21202-2020 (410) 576-6360 Agent: Maryland Securities Commissioner
MICHIGAN Consumer Protection Division Antitrust and Franchise Unit Michigan Department of Attorney General 670 Law Building Lansing, Michigan 48913 (517) 373-7177 Agent: Michigan Department of Commerce Corporations and Securities Bureau P.O. Box 30054 6546 Mercantile Way Lansing, Michigan 48909	**MINNESOTA** Minnesota Department of Commerce 85 7th Place East, Suite 500 St. Paul, Minnesota 55101-2198 (651) 296-6328 Agent: Minnesota Commissioner of Commerce

<u>NEBRASKA</u> Nebraska Department of Banking and Finance 1200 N Street P.O. Box 95006 Lincoln, Nebraska 68509-5006	**<u>NORTH CAROLINA</u>** Department of the Secretary of State PO Box 29622 Raleigh, NC 27626-0622
<u>NEW YORK</u> Bureau of Investor Protection and Securities New York State Department of Law 23rd Floor 120 Broadway New York, New York 10271 (212) 416-8211 Agent: New York Secretary of State 162 Washington Street Albany, New York 12231 (518) 474-4750	**<u>NORTH DAKOTA</u>** Office of Securities Commissioner Fifth Floor 600 East Boulevard Bismarck, North Dakota 58505 (701) 328-2910 Agent: North Dakota Securities Commissioner
<u>OREGON</u> Department of Insurance and Finance Corporate Securities Section Labor and Industries Building Salem, Oregon 97310 (503) 378-4387 Agent: Director of Oregon Department of Insurance and Finance	**<u>RHODE ISLAND</u>** Division of Securities Suite 232 233 Richmond Street Providence, Rhode Island 02903 (401) 222-3048 Agent: Director of Rhode Island Department of Business Regulation
<u>SOUTH DAKOTA</u> Division of Securities c/o 118 West Capitol Pierre, South Dakota 57501 (605) 773-4013 Agent: Director of South Dakota Division Securities	**<u>TEXAS</u>** Secretary of State P.O. Box 12887 Austin, Texas 78711

<table>
<tr><td><u>VIRGINIA</u>

State Corporation Commission
Division of Securities and Retail Franchising
1300 East Main Street, 9th Floor
Richmond, Virginia 23219
(804) 371-9051

Agent:
Clerk of the State Corporation Commission
1300 East Main Street
Richmond, Virginia 23219</td><td><u>WASHINGTON</u>

Director
Department of Financial Institutions
Securities Division
P.O. Box 9033
Olympia, Washington 98507
(360) 902-8760

Agent:
Securities Administrator, Director of
Department of Financial Institutions
General Admin. Bldg., 3rd Floor
210-11th Avenue, S.W.
Olympia, Washington 98504</td></tr>
<tr><td><u>WISCONSIN</u>

Securities and Franchise Registration
Wisconsin Securities Commission
345 West Washington Street, 4th Floor
Madison, Wisconsin 53703
(608) 266-3431

Agent:
Wisconsin Commissioner of Securities</td><td></td></tr>
</table>

EXHIBIT B

FRANCHISE AGREEMENT

FAJITA PETE'S FRANCHISING LLC

FRANCHISE AGREEMENT

____

FRANCHISE OWNER

____

DATE OF AGREEMENT

TABLE OF CONTENTS

SECTION **PAGE**

SECTION		PAGE

EXHIBITS

FAJITA PETE'S FRANCHISING LLC
FRANCHISE AGREEMENT

This Franchise Agreement (this "Agreement") is being entered as of ____________, 20__ (the "Agreement Date"). The parties to this Agreement are you, ____________________ ____, (sometimes referred to as "Franchisee" or "Franchise Owner"), us, Fajita Pete's Franchising LLC, a Texas limited liability company (sometimes referred to as "Company") and, if you are a corporation, limited liability company or partnership, your "Principal Owners" (defined below).

1. **INTRODUCTION AND ACKNOWLEDGEMENTS**.

A. This Agreement has been written in an informal style in order to make it more easily readable and to be sure that you become thoroughly familiar with all of the important rights and obligations the Agreement covers before you sign it. If you are a corporation, limited liability company or partnership, you will notice certain provisions that are applicable to those principal shareholders, owners or partners on whose business skill, financial capability and personal character we are relying in entering into this Agreement. Those individuals will be referred to in this Agreement as "Principal Owners" and are identified on Exhibit C.

B. Through the expenditure of considerable time, effort and money, we and our affiliates have devised a system for the establishment and operation of a restaurant and catering business featuring home delivery of fajitas and other Tex-Mex dishes, along with related products and services (all of which we refer to in this Agreement as the "System"). We and our affiliates identify the System by the use of certain trademarks, service marks and other commercial symbols, including "Fajita Pete's," and certain associated designs and logos, which we may change or add to from time to time (the "Marks").

C. We grant to persons who meet our qualifications franchises to own and operate Fajitas Pete's restaurant and catering businesses (each a "Fajita Pete's Business") in accordance with the System and under the Marks. This Franchise Agreement is being presented to you because of the desire you have expressed to obtain the right to develop, own and be franchised to operate a Fajita Pete's Business. In signing this Agreement, you acknowledge your understanding of the importance of our high standards of quality and service and the necessity of operating your Fajita Pete's Business in strict conformity with our standards and specifications. You also acknowledge that you have conducted an independent investigation of the Fajita Pete's Business model and recognize that, like any other business, the nature of it may evolve and change over time, that an investment in a Fajita Pete's Business involves business risks, and that the success of this business venture is primarily dependent on your business abilities and efforts.

D. We expressly disclaim making, and you acknowledge that you have not received or relied on, any guarantee, express or implied, as to the revenues, profits, or likelihood of success of the Fajita Pete's Business venture contemplated by this Agreement. You acknowledge that there have been no representations by us or our officers, directors, shareholders, employees, or agents, that are inconsistent with the statements made in our franchise disclosure document or the provisions of this Agreement. You further represent to us, as an inducement to our entering into this Agreement with you, that there have been no misrepresentations to us in your application for the rights granted by this Agreement or in the financial information provided by you and your Principal Owners.

E. If you are now or at any time in the future a corporation, limited liability company or partnership, you agree and represent that:

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

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

(3) Each Principal Owner will execute an agreement in the form that we prescribe undertaking to be bound jointly and severally by all provisions of this Agreement.

2. **GRANT OF FRANCHISE**.

2.1 **Term**. You have applied for a franchise to own and operate a Fajita Pete's Business at the Premises (as defined below) and we have approved your application in reliance on all of the representations you made in that application. As a result, and subject to the provisions of this Agreement, we grant to you a franchise (the "Franchise") to operate a Fajita Pete's Business at the Premises (the "Business"), and to use the System and the Marks in the operation of the Business, for an "Initial Term" of 10 years from the Opening Date, as defined in Section 3.6, unless the Franchise is terminated earlier pursuant to the provisions of this Agreement. Termination or expiration of this Agreement will constitute a termination or expiration of your Franchise. The "Premises" of the Business shall be the location identified in Exhibit B subsequent to the execution of this Agreement, upon our approval of the location and execution of the related lease or purchase contract, in accordance with Section 3.1.

2.2 **Full Term Performance**. You specifically agree to perform the obligations of this Agreement, and continuously exert your best efforts to promote and enhance the business of the Business, for the full Initial Term of this Agreement.

2.3 **Site Selection Area**. You must locate and secure, through lease or purchase, subject to our approval, the Premises for the Business within the area identified in Exhibit B (the "Site Selection Area"). You will be limited to locating and securing a site for the Business within this Site Selection Area. You agree that the Site Selection Area is solely for the purpose of locating a site, and shall in no way be considered an exclusive or protected territory for the Business. In the case that another franchisee of ours has been granted franchise rights to operate a Fajita Pete's Business within the Site Selection Area, your Business must not encroach upon such franchisee's specified Market Area.

2.4 **Market Area; Limit on Sales.** Upon your signing of this Agreement, you will receive a Market Area which will be described in Exhibit B (the "Market Area"). Your rights hereunder shall be limited to offering and selling products from the Business, and only to retail customers of the Business (a) for customer consumption at the Business, (b) for customer carry-out consumption of products sold at the Business, and (c) through off-Premises catering and home delivery services; provided that all such activities shall be conducted only in accordance with the requirements of this Agreement and the procedures set forth in the Operations Manual (as defined in Section 5.1 below) and all applicable laws. Except as otherwise provided in this Agreement and subject to your full compliance with this Agreement, and any other agreement between you and us or our affiliates, we will not establish or authorize any person or entity other than you to establish a Fajita Pete's Business in the Market Area during the term of this Agreement.

2.5 **Sales Outside Market Area**. It is understood that you shall be limited to directly soliciting customers and/or advertising sales within the Market Area. You covenant and agree that you shall not directly solicit or advertise sales to customers located outside of the Market Area. Determination of what constitutes "direct" solicitation or advertising shall be determined in our sole judgment, but shall include direct mail and telephone solicitation. Notwithstanding the foregoing, you (i) may engage in marketing and advertising efforts approved by us, such as Internet, social media or other mass media marketing efforts outside of the Market Area so long as such activities are ancillary to marketing activities within the Market Area and (ii) shall be permitted to provide services and sell products to persons located outside the Market Area (and perhaps in the Market Area of another Fajita Pete's Business) so long as such customers have not been obtained as a result of your direct soliciting or advertising activities outside the Market Area in violation of this Section 2.5. In the event of any dispute as to whether or not soliciting or advertising activities have been conducted outside the Market Area, such dispute shall be submitted for determination by us and our decision shall be final and binding upon you and such other franchisee(s).

2.6 **No Assurance, Representation, or Warranty**. You acknowledge and agree that our determination of the Market Area does not constitute an assurance, representation, or warranty of any kind, express or implied, as to the suitability of the Market Area for the Business or for any other purpose. Our determination of the Market Area indicates only that we believe the Market Area complies with acceptable minimum criteria established by us solely for our purposes as of the time of the evaluation. It is acknowledged by you and us that application of criteria that have been effective with respect to other market areas may not be predictive of potential for all market areas and that, subsequent to our approval of the Market Area, demographic and/or economic factors, such as competition from other similar businesses, included in or excluded from criteria used by us, could change, thereby altering the potential of the Market Area. Such factors are unpredictable and are beyond our control. We are not responsible for the failure of the Market Area to meet your expectations as to revenue or operational criteria.

2.7 **Reservation of Rights**. Except as provided in Section 2.4 above, the rights granted to you under this Agreement are non-exclusive, and we retain all rights within and outside the Market Area. More specifically, we retain all rights with respect to Fajita Pete's Businesses, the Marks and the System, including (by way of example only and not as a limitation),

(a) the own, acquire, establish and/or operate and license others to establish and operate Fajita Pete's Businesses outside of the Market Area on terms and conditions we deem appropriate, notwithstanding their proximity to the Market Area or the Business or their actual or threatened impact on sales of the Business;

(b) the right to produce and sell products using the Marks or other commercial symbols through other channels of distribution pursuant to terms and conditions we deem appropriate;

(c) the right to own, acquire, establish and/or operate and license others to establish and operate Fajita Pete's Businesses or similar restaurant or Business facilities at Non-Traditional Sites (as defined below) at any location within or outside the Market Area. As used in this Agreement, "Non-Traditional Sites" shall mean outlets that serve primarily the customers located within a facility, such as captive audience facilities (examples include, but are not limited to, parks charging admission, stadiums, amusement parks and centers, theaters and art centers), limited purpose facilities (examples include, but are not limited to, airports, transportation centers, department stores, in-door shopping centers or malls, business and industrial complexes, museums, educational facilities, hospitals, art centers, and recreational parks), limited access facilities (examples include, but are not limited to, military complexes, buyer club businesses, educational facilities, business and industrial complexes), and other types of institutional accounts; and

(d) the right to own, acquire, establish and/or operate and license others to establish and operate other retail or restaurant outlets or enter into other lines of businesses offering similar or dissimilar products or services under trademarks or service marks other than the Marks.

2.8 **Prohibited Sales by Franchisee**. You may not offer or sell any products or services at wholesale without our prior written consent. You may not sell any products by mail order or over the Internet (or any other electronic modem) without our prior written consent. You acknowledge that the Company, its affiliates and other franchisees of the Company may sell to customers wherever located subject to Section 2.5. You shall have no rights to any such sales by us or our other franchisees.

2.9 **Renewal of Franchise**. You may, at your option, renew the Franchise for 1 additional term of 10 years, provided that:

(a) You have given us written notice of an election to renew not less than 6 months nor more than 12 months prior to the end of the Initial Term and any renewal term of this Agreement;

(b) You are not at such time in material breach of any of your obligations under this Agreement or any other agreement with us;

(c) You have substantially complied on a timely basis with all of the conditions and requirements of this Agreement and any other agreements with us or our affiliates throughout the terms of such agreements;

(d) You agree to remodel and redecorate the Business to comply with our then current requirements for a Fajita Pete's Business; and

(e) Subject to applicable law, you and your owners execute a general release, in a form prescribed by us, of any claims against us and our affiliates, and our and their officers, directors, agents and employees.

Each renewal will be effectuated by execution of our then current form of franchise agreement, and all other agreements, instruments and documents then customarily used by us in granting franchises or renewal franchises for Fajita Pete's Businesses, the terms of which may differ from this Agreement, including, without limitation, differing territorial rights and requirements to pay additional and/or higher fees, except that the term shall be as described in this Section 2.9. A renewal fee equal to 50% of our then current initial franchise fee for a Fajita Pete's Business franchise will be payable upon renewal of the Franchise.

Upon receipt of your election to renew the Franchise, we agree to give you written notice of any deficiencies in the operation or historical performance of the Business which could cause us not to renew the Franchise. Our notice will state what actions, if any, you must take to correct the deficiencies in your operation of the Business or in the Premises and will specify the time period in which those deficiencies must be corrected or other requirements satisfied. Renewal of the Franchise will be conditioned on your correction of all deficiencies identified in our notice and your continued compliance with all the terms and conditions of this Agreement up to the date of expiration. If we send a notice of non-renewal it will state the reasons for our refusal to renew.

3. DEVELOPMENT AND OPENING OF THE BUSINESS.

3.1 **Site Selection; Possession of Premises**. You shall be solely responsible for identifying, submitting for our approval, and obtaining lawful possession of the Premises for the Business within the Site Selection Area. You must obtain lawful possession of the Premises through lease or purchase within 120 days after the Agreement Date. You agree that you will not execute a lease or purchase contract without our prior written approval of the location of the Premises and the terms of the lease or purchase contract. To obtain our approval, you must submit to us, in a form specified by us, a completed site approval package, which shall include: (i) a site approval form prescribed by us; (ii) a trade area and/or site marketing research analysis (prepared by a company approved in advance by us); (iii) an option contract, letter of intent, or other evidence satisfactory to us which describes your favorable prospects for obtaining such site; (iv) photographs of the site; (v) demographic statistics; (vi) the lease or purchase contract; and (vii) such other information or materials as we may reasonably require (collectively, the "SAP"). We will have 30 days after receipt of the SAP from you to approve or disapprove, in our sole discretion, the proposed site for the Business. In the event we do not approve a proposed site by written notice to you within this 30 day period, such site and lease or purchase contract shall be deemed disapproved. No site shall be deemed approved unless it has been expressly approved in writing by us. Any lease for the Premises of the Business must, if we require it, permit us to take possession of the Premises under certain conditions if this Agreement expires or terminates, and shall also contain such terms and provisions as are reasonably approved by us. You shall further execute, and cause your landlord to execute, the Option for Assignment of Lease, included as Exhibit F to this Agreement. You acknowledge that our approval of a site will not constitute a representation or warranty, express or implied, as to the suitability of the Premises for a Fajita Pete's Business or for any other purpose. You further acknowledge that neither our acceptance of the Premises nor any assistance in negotiation of the lease for the Premises constitutes any assurance that the Business will be profitable or more profitable in comparison to other Fajita Pete's Business locations. Our acceptance and any assistance is only an indication that the Premises meets our minimum criteria.

3.2 **Prototype and Construction Plans and Specifications**. We will furnish prototype plans and specifications reflecting our requirements for design, decoration, furnishings, furniture, layout, equipment, fixtures and signs for a Fajita Pete's Business. It will then be your responsibility to have the plans and specifications modified by an architect approved in advance by us to comply with all ordinances, building codes, permit requirements, and lease requirements and restrictions applicable to the Premises. You must submit final construction plans and specifications to us for approval before construction begins at the Premises, and the Business must be constructed in accordance with those approved plans.

3.3 **Development of the Business**. You agree at your own expense to do the following within a reasonable time after you have obtained possession of the Premises but in any event by such period as may be provided in any lease we have approved:

(a) secure all financing required to fully develop the Business;

(b) obtain all required building, utility, sign, health, sanitation, and business permits and any other required permits and licenses, including all liquor, wine and beer licenses;

(c) construct the Business according to the construction plans and specifications we have approved;

(d) decorate the Business in compliance with plans and specifications we have approved;

(e) purchase and install all required equipment, furniture, furnishings and signs;

(f) cause the training requirements of Section 4 to be completed;

(g) purchase an opening inventory of the products, beverages and other supplies and materials, including all menus and marketing materials;

(h) do any other acts necessary to open the Business for business;

(i) obtain our approval to open the Business for business; and

(j) open the Business for business.

3.4 **Brand Technology**. You agree to use in the development and operation of the Business the management system and computer hardware and software and related technology designated by us, including without limitation, features such as high speed broadband connectivity, high speed broadband monitoring, online ordering, methods and means of encryption and access to our network resources, and other brand technology and peripheral devices that we specify from time to time (the "Brand Technology"). You acknowledge that we may modify all aspects and the components of the Brand Technology from time to time. As part of the Brand Technology, we may require you to obtain computer hardware and/or software we specify from a single vendor designated by us, and we or our affiliates may be the sole supplier of all or any part of the Brand Technology. You agree to use only such items and services as we specify in connection with the Brand Technology. We may require that you enter into a license exclusively with us or our affiliates to use proprietary software developed by or for us. You may also be required to enter into agreements with others for use of third party software incorporated or used in connection with the Brand Technology. Our modification of such specifications or components for the Brand Technology may require you incur costs to purchase, lease and/or license new or modified computer hardware and/or software and to obtain service and support for the Brand Technology during the term of this Agreement. You acknowledge that the cost to you of obtaining the Brand Technology (including software licenses) (or additions, substitutions, replacements or modifications thereto) may not be fully amortizable over the remaining term of this Agreement. Nonetheless, you agree to incur such costs in connection with obtaining the computer hardware and software comprising the Brand Technology (or additions, substitutions, replacements or modifications thereto). You further acknowledge and agree that we have the right to charge reasonable fees for software or systems modifications and enhancements specifically made for us that are licensed to you and other maintenance and support services that we or our affiliates furnish to you related to the Brand Technology. You may also incur charges from third parties who render services or provide products that we require you to purchase or use. We shall have independent access through monitoring programs or otherwise to data on your Brand Technology, including sales figures. There are no contractual limitations on our right or timing to access this information and data.

3.5 **Equipment, Furniture, Fixtures, Furnishings and Signs**. You agree to use in the development and operation of the Business only those brands, types, and/or models of equipment, furniture, fixtures, furnishings and signs we have approved, and also agree to purchase them from suppliers we have designated or approved. If you desire to use a supplier that we have not approved, you shall first send us sufficient information, specifications and/or samples for us to determine whether the supplier meets our approved supplier criteria. We may charge the supplier a reasonable testing fee and will decide within a reasonable time after receiving the required information whether you may purchase from such supplier. You acknowledge and agree that we may revoke approval of a supplier at any time in our sole discretion by notifying you and/or the supplier.

3.6 **Business Opening**. You agree not to open the Business for business until:

(a) all of your obligations under Sections 3.1 through 3.5 have been fulfilled;

(b) we determine that the Business has been constructed, decorated, furnished, equipped, and stocked with materials and supplies in accordance with plans and specifications we have approved;

(c) you (or your designated Principal Owner as provided below) and your management team have completed pre-opening training to our satisfaction;

(d) the initial franchise fee and all other amounts due to us have been paid; and

(e) you have furnished us with copies of all insurance policies required by Section 10.9 of this Agreement.

The date we approve the Business to open for business is referred to as the "Opening Date." We agree to provide you with 1 or more representatives from our staff for up to 2 weeks in duration, as we may determine in our sole discretion, at the Business to assist you in the opening of the Business.

You agree to conduct a grand opening advertising and marketing program for the Business in compliance with a grand opening advertising and marketing plan developed by us, or developed by you and approved in writing by us, beginning 1 month before and continuing for 2 months following opening of the Business ("Grand Opening Advertising"). You agree to spend at least $3,000 on Grand Opening Advertising. At our request, you will supply us with documentary support of your expenditures on Grand Opening Advertising.

You must satisfy all of your obligations under this Section 3 including the obtaining of all licenses and permits necessary to operate the Business, including all liquor, beer and wine licenses. You must obtain lawful possession of the Premises through lease or purchase within 120 days after the Agreement Date and open the Business for business within 240 days after the Agreement Date, unless you obtain a written extension of such time periods from us. If you fail to satisfy the obligation to obtain lawful possession of the Premises through lease or purchase within 120 days after the Agreement Date or fail to satisfy all such obligations to open the Business for business under this Section 3.6 within 240 days after the Agreement Date, we have the right to terminate this Agreement upon written notice to you.

3.7 **Relocation; Damage or Condemnation**. In the event the Business is destroyed or rendered unusable by fire or other casualty, we may grant permission for the Business to be repaired, restored or reconstructed at the Premises or any other agreed upon location. We may also grant you permission to relocate the Business if you lose your right to occupy the Premises through no fault of your own. Any repair, restoration, reconstruction or relocation will be at your sole expense. The Business, whether we grant permission for you to repair, restore, reconstruct or relocate, must be open and operating no later than 6 months after its closure. In addition, within 10 days of vacating the Business, you must make such reasonable modifications to the exterior and interior of the Business as we require to fully eliminate its identification and appearance as a Fajita Pete's Business. If you fail or refuse to fully de-identify the Business to the extent and in the manner required by this Agreement, we may, at our option and in addition to other rights and remedies we may have, make the modifications that are contemplated by this Agreement on your behalf and you agree to promptly pay and reimburse us on demand for any costs incurred by us including, without limitation, the proportionate compensation of our employees who devote time and render services in the de-identification of the Business.

4. **TRAINING**.

You acknowledge that it is very important to the operation of the Business that you (or one of your Principal Owners designated by you and approved by us) and your employees receive appropriate training. To that end, you agree as follows:

(a) Before the Business opens for business, you (or your designated Principal Owner) and your management team (as defined below) must attend a training program of up to 4 weeks in duration on the operation of a Fajita Pete's Business at the time and place we designate. The training program will include classroom instruction and Business operation training and will be furnished at our training facility or other location we designate. There will be no tuition charge for these training programs. You and your management team must complete all training to our satisfaction. For purposes of this Agreement, the term "management team" shall include your designated Principal Owner, general manager, kitchen manager and other key employees of the Business we designate from time to time.

(b) If we determine, in our sole discretion, that your management team is in need of additional on-site supervision or supplemental training, we may require that you receive such training from us at the Business, in which case you agree to pay for all expenses for that training or assistance, including any reasonable per diem charges assessed by us and travel and living expenses for our Company personnel.

(c) You agree to have you (or your designated Principal Owner) and your management team and/or other employees complete additional training programs of up to 4 days per calendar year at places and times as we may reasonably request from time to time during the term of this Agreement.

(d) Your employees will be permitted to attend any other training programs, workshops, or seminars which we may offer from time to time. We may charge a fee for this additional training.

(e) You (or your designated Principal Owner) and members of your management team we designate must attend any national franchise meeting or convention sponsored by us for up to a total of 3 days per calendar year.

(f) You agree to pay all of your own (or your designated Principal Owner's) expenses and the expenses incurred by your management team and any other employees in connection with all training programs, meetings and conventions, including travel, room, board, local transportation expenses, and wages.

5. **GUIDANCE; OPERATIONS MANUAL**.

5.1 **Guidance and Assistance**. During the Initial Term, we will from time to time furnish you guidance and assistance dealing with:

(a) food preparation and presentation, packaging, sale and delivery of the products authorized for sale by the Business and specifications, standards, and operating procedures used by Fajita Pete's Businesses;

(b) purchasing approved equipment, furniture, furnishings, signs, food and beverage products, operating materials and supplies;

(c) development and implementation of local advertising and promotional programs;

(d) periodic advice or guidance in the marketing, management, and operation of the Business in the manner determined by us; and

(e) changes in any of the above that occur from time to time.

This guidance and assistance will, in our discretion, be furnished in the form of an operations manual (the "Operations Manual"), bulletins, written reports and recommendations, other written materials, telephone consultations, and/or personal consultations at our offices or at the Business. If you request additional, special on-premises training of your personnel or other assistance in operating your Business or if such training or assistance is necessitated by reason of your failure to comply with the terms of this Agreement, you agree to pay for all expenses for that training or assistance, including any reasonable per diem charges assessed by us and travel and living expenses for our Company personnel.

5.2 **Operations Manual**. We will loan to you during the Initial Term one or more copies of our Operations Manual. We may provide the Operations Manual in an electronic format on our Website to which you will be given access or via e-mail. The Operations Manual will contain mandatory and suggested specifications, standards, and operating procedures which we prescribe from time to time for Fajita Pete's Businesses, as well as information relative to other obligations you have in the operation of the Business. The Operations Manual may be modified from time to time to reflect changes in the specifications, standards, operating procedures and other obligations in operating a Fajita Pete's Business. Revisions to the Operations Manual will be deemed effective 7 days after receipt by you, unless we specify a later effective date for a particular revision. You agree that you will not at any time copy any part of the Operations Manual, permit any part of it to be copied or disclose it to anyone not having a need to know its contents for purposes of operating your Business.

5.3 **Advisory Councils**. You agree to participate in, and, if required, become a member of any advisory councils or similar organizations we form or organize for franchised Fajita Pete's Businesses, and pay any dues assessed by such organizations.

5.4 **Delegation**. You acknowledge and agree that any duty or obligation imposed on us by this Agreement may be performed by any distributor, designee, employee, area representative, or agent of ours, as we may direct.

5.5 **Modification of Franchise System**. We have the right to operate, develop, and change or modify the System in any manner that is not specifically prohibited by this Agreement, as we deem appropriate, including without limitation to reflect the changing market and to meet new and changing consumer demands, and that variations and additions to the System may be required from time to time to preserve and enhance the public image of the System and operations of Fajita Pete's Businesses. Whenever we have reserved in this Agreement a right to take or to withhold an action, or to grant or decline to grant you a right to take or omit an action, we may, except as otherwise specifically provided in this Agreement, make our decision or exercise our rights based on information readily available to us and our judgment of what is in our and/or the System's best interests at the time our decision is made, without regard to either whether we could have made other reasonable or even arguably preferable alternative decisions or whether our decision promotes our financial or other individual interest. Because complete and detailed uniformity under many varying conditions might not be possible or practical, you acknowledge that we specifically reserve the right and privilege to vary the System for any franchise owner based upon the peculiarities of any condition that we consider important to that franchise owner's successful operation. You have no right to require us to grant you a similar variation or accommodation.

6. MARKS.

6.1 **Ownership and Goodwill of Marks**. You acknowledge that your right to use the Marks is derived solely from this Agreement and is limited to your operation of the Business pursuant to and in compliance with this Agreement and all applicable standards, specifications, and operating procedures we prescribe from time to time during the term of the Franchise. If you make any unauthorized use of the Marks it will constitute a breach of this Agreement and an infringement of our, and our affiliates, rights in and to the Marks. You acknowledge and agree that all your usage of the Marks and any goodwill established by your use will inure to our, and our affiliates, benefit exclusively, and that this Agreement does not confer any goodwill or other interests in the Marks on you (other than the right to operate a Fajita Pete's Business in compliance with this Agreement). All provisions of this Agreement applicable to the Marks will apply to any additional trademarks, service marks, commercial symbols, designs, artwork and logos we may authorize and license you to use during the term of this Agreement.

6.2 **Limitations on Franchise Owner's Use of Marks**. You agree to use the Marks as the sole trade identification of the Business, except that you will display at the Business a notice, in the form we prescribe, which states that you are the independent owner of the Business pursuant to a Franchise Agreement with us. You agree not to use any Mark as part of any corporate or trade name or with any prefix, suffix, or other modifying words, terms, designs, or symbols (other than logos and additional trade and service marks licensed to you under this Agreement), or in any modified form, nor may you use any Mark or any commercial symbol similar to the Marks, in connection with the performance or sale of any unauthorized services or products or in any other manner we have not expressly authorized in writing. You agree to display the Marks in the manner we prescribe at the Business, and in connection with advertising and marketing materials, and to use, along with the Marks, notices of trade and service mark registrations as we specify. You further agree to obtain any fictitious or assumed name registrations as may be required under applicable law.

6.3 **Online Use of Marks**. You shall not, without our prior written approval, use the Marks or any abbreviation or other name associated with us and/or the System as part of any e-mail address, domain name, and/or other identification of us and/or the System in any electronic medium. You agree not to transmit or cause any other party to transmit advertisements, solicitations, marketing information, promotional information or any other information whatsoever regarding Fajita Pete's Businesses by e-mail or any other "Electronic Media" without our prior written consent and in accordance with such specific programs, policies, terms and conditions as we may from time to time establish. Electronic Media shall include, but not be limited to, blogs, microblogs, social networking sites (such as Facebook and LinkedIn), video-sharing and photo-sharing sites (such as YouTube and Instagram), review sites (such as Yelp and Urbanspoon), marketplace sites (such as eBay and Craigslist), Wikis, chat rooms and virtual worlds.

6.4 **Notification of Infringements and Claims**. You agree to immediately notify us in writing of any apparent infringement of or challenge to your use of any Mark, or claim by any person of any rights in any Mark or similar trade name, trademark or service mark of which you became aware. You agree not to communicate with anyone except us and our counsel in connection with any such infringement, challenge or claim. We have sole right to exclusively control any litigation or other proceeding arising out of any infringement, challenge or claim relating to any Mark. You agree to sign any documents, render any assistance, and do any acts that our attorneys say is necessary or advisable in order to protect and maintain our interests in any litigation or proceeding related to the Marks or to otherwise protect and maintain our interests in the Marks.

6.5 **Discontinuance of Use of Marks**. If it becomes advisable at any time in our sole judgment for the Business to modify or discontinue the use of any Mark or for the Business to use one or more additional or substitute trademarks or service marks, you agree at your expense, to comply with our directions to modify or otherwise discontinue the use of the Mark, or use one or more additional or substitute trademarks or service marks, within a reasonable time after our notice to you.

6.6 **Indemnification of Franchise Owner**. We agree to indemnify you against and to reimburse you for all damages for which you are held liable in any proceeding arising out of your use of any Mark, pursuant to and in compliance with this Agreement, and for all costs you reasonably incur in the defense of any such claim in which you are named as a party, so long as you have timely notified us of the claim and have otherwise complied with this Agreement.

7. **RELATIONSHIP OF THE PARTIES; INDEMNIFICATION**.

7.1 **Independent Contractor; No Fiduciary Relationship**. Both of us understand and agree that this Agreement does not create a fiduciary relationship between us, that you and we are independent contractors, and that nothing in this Agreement is intended to make either party a general or special agent, joint venturer, partner, or employee of the other for any purpose whatsoever. You agree to conspicuously identify yourself in all your dealings with customers, suppliers, public officials, Business personnel, and others as the owner of the Business pursuant to a franchise agreement with us, and agree to place any other notices of independent ownership on your forms, business cards, stationery, advertising, and other materials as we may require from time to time.

7.2 **No Liability, No Warranties**. We have not authorized or empowered you to use the Marks except as provided by this Agreement and you agree not to employ any of the Marks in signing any contract, check, purchase agreement, negotiable instrument or legal obligation, application for any license or permit, or in a manner that may result in liability to us for any indebtedness or obligation of yours. Except as expressly authorized by this Agreement, neither of us will make any express or implied agreements, warranties, guarantees or representations, or incur any debt, in the name of or on behalf of the other or represent that their relationship is other than that of franchisor and franchisee.

7.3 **Indemnification**. We will not assume any liability or be deemed liable for any agreements, representations, or warranties you make that are not expressly authorized under this Agreement, nor will we be obligated for any damages to any person or property directly or indirectly arising out of the Business operation, your conduct of business under this Agreement, your breach of this Agreement, or your noncompliance or alleged noncompliance with any law, ordinance, rule, or regulation, including any allegation that we or another indemnified party is a joint employer or otherwise responsible for your acts or omissions relating to your employees, whether or not caused by your negligent or willful action or failure to act. We will have no liability for any sales, use, excise, income, gross receipts, property, or other taxes levied against you or your assets or on us in connection with the business you conduct, or any payments you make to us pursuant to this Agreement or any franchise agreement (except for our own income taxes). You agree to indemnify, defend and hold us, our owners, directors, officers, affiliates, employees, agents and assignees, harmless against and to reimburse us and our owners, directors, officers, affiliates, employees, agents and assignees for all such obligations, damages, and taxes for which we or any of our owners, directors, officers, affiliates, employees, agents or assignees are held liable and for all costs reasonably incurred in the defense of any such claim brought against us or any of our owners, directors, officers, affiliates, employees, agents or assignees or in any such action in which we or any of our owners, directors, officers, affiliates, employees, agents or assignees are named as a party, including without limitation actual and consequential damages, reasonable attorneys', accountants' and expert witness fees, cost of investigation and proof of facts, court costs, costs of depositions, court reporters, videotaping and other litigation expenses and travel and living expenses. We or any of our owners, directors, officers, affiliates, employees, agents or assignees have the right to defend against any such claim. You further agree to hold us harmless and indemnify and defend us for all cost, expense or loss we incur in enforcing the provisions of this Agreement, in defending our actions taken relating to this Agreement, or resulting from your breach of this Agreement, including, without limitation, reasonable legal and attorneys' fees (including those for appeal), unless, after legal proceedings are completed, you are found to have fulfilled and complied with all of the terms of this Agreement. Your indemnification obligations described above will continue in full force and effect after, and notwithstanding, the expiration or termination of this Agreement.

8. CONFIDENTIAL INFORMATION; NON-COMPETITION.

8.1 **Types of Confidential Information**. We possess certain unique confidential and proprietary information and trade secrets consisting of the following categories of information, methods, techniques, products, and knowledge developed by us:

(a) recipes, proprietary products, and methods for efficiently and cost-effectively preparing and serving the products sold at Fajita Pete's Businesses;

(b) knowledge of sales and profit performance of any one or more Fajita Pete's Businesses;

(c) knowledge of test programs, concepts or results relating to menu items;

(d) sources of products;

(e) advertising and promotional programs;

(f) Fajita Pete's Business image and décor;

(g) the selection of Business personnel;

(h) methods, techniques, formats, specifications, procedures, information, systems and knowledge of and experience in the development, operation, and franchising of Fajita Pete's Businesses; and

(i) methods of training Business employees.

We will disclose much of the above-described information to you, and will do so in advising about site selection, in training, in the Operations Manual and in providing guidance and assistance to you under this Agreement. In addition, in the course of the operation of your Business, you or your employees may develop ideas, concepts, methods, and techniques of improvement relating to the Business which will belong to us and which you agree to disclose to us and which we may then authorize you and other Fajita Pete's Businesses to use. (Any such information disclosed to or developed by you will be referred to in this Agreement as "Confidential Information.")

8.2 **Non-Disclosure Agreement**. You agree that your relationship with us does not vest in you any interest in the Confidential Information other than the right to use it in the development and operation of the Business, and that the use or duplication of the Confidential Information in any other business would constitute an unfair method of competition. You acknowledge and agree that the Confidential Information belongs to us, may contain trade secrets belonging to us and is disclosed to you or authorized for your use solely on the condition that you agree, and you therefore do agree, that you will not use the Confidential Information in any other business or capacity; will maintain the absolute confidentiality of the Confidential Information during and after the term of this Agreement; will not make unauthorized copies of any portion of the Confidential Information disclosed in written form; and will adopt and implement all reasonable procedures we may prescribe from time to time to prevent unauthorized use or disclosure of the Confidential Information.

8.3 **Non-Disclosure Agreement for Employees**. You shall require your manager(s) and any personnel having access to any Confidential Information to execute covenants that they will maintain the confidentiality of information they receive in connection with their employment by you at the Business. Such covenants shall be in a form approved by us, including specific identification of us as a third-party beneficiary of such covenants with the independent right to enforce them, the current form of which is attached as Exhibit E.

8.4 **Exclusive Relationship**. You agree that we would be unable to protect the Confidential Information against unauthorized use or disclosure and would be unable to encourage a free exchange of ideas and information among Fajita Pete's Businesses if franchise owners of Fajita Pete's Businesses were permitted to hold interests in any competitive businesses, as described below. Therefore, during the term of this Agreement, neither you, nor any Principal Owner, nor any member of your immediate family or of the immediate family of any Principal Owner shall perform services for or have any direct or indirect interest as a disclosed or beneficial owner, investor, partner, director, officer, employee, manager, consultant, representative or agent in any Competitive Business. For purposes of this Agreement, "Competitive Business" shall mean (i) any restaurant, bar or other food-service business that derives more than 25% of its revenue from selling Mexican or Tex-Mex style fajitas; (ii) any restaurant, bar or other food-service business with menu offerings consisting predominantly of Mexican and/or Tex-Mex cuisine; (iii) any restaurant, bar or other food-service business that is the same as or similar to a Fajita Pete's Business; and/or (iv) any other business offering products and services offered or authorized for sale by Fajita Pete's Businesses. (The ownership of 5% or less of a publicly traded company will not be deemed to be prohibited by this Section).

8.5 **Non-Disparagement**. You shall not communicate or publish, directly or indirectly, any disparaging comments or information about us during the term of this Agreement or thereafter. This provision shall include, but not be limited to, communication or distribution of information through the Internet via any Electronic Media, as defined herein.

9. **FEES**.

9.1 **Initial Franchise Fee**. You agree to pay us an initial franchise fee of $40,000 (the "Initial Franchise Fee") when you sign this Agreement. In recognition of administrative and other expenses incurred by us in granting this Franchise and of our lost opportunity to negotiate with others for this Franchise, you agree that we will have fully earned the Initial Franchise Fee and that it becomes non-refundable on final execution of this Agreement.

9.2 **Royalty Fee**. You agree to pay us a Royalty Fee (the "Royalty Fee") in the amount of 5.5% of the Gross Sales of the Business. The Royalty Fee shall be paid by you to us on the 3rd business day after the close of each sales Week as designated by us (or such other date as we may otherwise prescribe in the Operations Manual or in writing to you), on Gross Sales of the Business for such Week. The term "Week" means the period starting with the commencement of business on Monday and concluding at the close of business on the following Sunday (or, if the Business is not open on a particular Sunday in accordance with this Agreement or the Manuals, the immediately preceding business day); however, we shall have the right to designate in writing any other period of not less than seven days to constitute a "Week" under this Agreement.

9.3 **Gross Sales**. The term "Gross Sales" means all revenue from the sale of all services and products and all other income of every kind and nature related to the Business or the Premises, including proceeds of any business interruption insurance policies and proceeds from the use of Gift Cards (as defined herein) to purchase food, beverages, or any other products and services, the sale of any promotional or premium items, whether for cash or credit, and regardless of collection in the case of credit, including all revenue from the sale of food and beverages sold to employees, and the gross sales amount of all food and beverages provided to all other individuals on a complimentary basis by the Business. Gross Sales shall not include (i) any sales taxes or other taxes collected from customers by you and actually transmitted to the appropriate taxing authorities, and (ii) the amount of actual, documented refunds and credits made to customers in good faith (if those amounts were originally included in calculating Gross Sales).

If a state or local law in which the Business is located prohibits or restricts in any way your ability to pay and our ability to collect the Royalty Fee, Marketing Fee, or other amounts based on Gross Sales derived from the sale of alcoholic beverages at the Business, then we and you shall increase the percentage rate for calculating the Royalty Fee and Marketing Fee, and change the definition of Gross Sales to exclude sales of alcoholic beverages, in a manner such that the Royalty Fee and Marketing Fee to be paid by you, and received by us, shall be equal to such amounts as you would have been required to pay, and we would have received, if sales from alcoholic beverages were included in Gross Sales.

9.4 **Marketing Fee**. You agree to pay us a marketing fee (the "Marketing Fee") toward the Marketing Fund for marketing, advertising and promotional programs (described in Section 11.1) in an amount equal to 1% of the Gross Sales of the Business, payable with, and in the same manner as, your Royalty Fee described above, provided we reserve the right upon written notice to you to increase the Marketing Fee up to an amount equal to 2% of the Gross Sales of the Business or the then current Marketing Fee we are charging or authorized to charge new franchisees, whichever is greater. Any increase or decrease in the Marketing Fee will become effective upon notification to you from us of any such increase or decrease.

9.5 **Technology Fee**. During the term of this Agreement, we may provide you with support, installation and set-up services for, use of, and/or access to certain cloud-based software (or other software) platform services, email addresses or accounts and/or other informational technology services or platforms, as we may determine from time to time in our sole discretion, in return for a fee of up to $125 per Week paid by you to us (the "Technology Fee"). The Technology Fee shall be paid by you to us on the 3rd business day after the close of each Week. All fees paid in accordance with this Section 9.5 are non-refundable, and subject to change at any time in our sole discretion. We may discontinue or modify the provision of any informational technology platform or service at any time.

9.6 **Electronic Funds Transfer**. We have the right to require you to participate in an electronic funds transfer program under which the Royalty Fee, Marketing Fee and Technology Fee (and any other fees due under this Agreement) are deducted or paid electronically from your bank account (the "Account"). In the event you are required to authorize us to initiate debit entries, you agree to make the funds available in the Account for withdrawal by electronic transfer no later than the due date for payment and execute our current form of "Authorization Agreement for Prearranged Payments," a copy of which is attached to this Agreement as Exhibit D. The amount actually transferred from the Account to pay Royalty Fees and Marketing Fees will be based on the Business's Gross Sales reported to us. If you have not reported the Gross Sales of the Business to us for any reporting period, we will be authorized to debit the Account in an amount equal to the Royalty Fee transferred from the Account for the last reporting period for which a report of the Gross Sales of the Business was provided to us. If at any time we determine that you have under-reported the Gross Sales of the Business or underpaid Royalty Fees or Marketing Fees due us under this Agreement, or owe us any other fee under this Agreement, we will be authorized to initiate immediately a debit to the Account in the appropriate amount in accordance with the foregoing procedure, including interest as provided for in this Agreement. An overpayment will be credited to the Account through a credit effective as of the first reporting date after we and you determine that such credit is due. Our use of electronic funds transfers as a method of collecting the Royalty Fee, Marketing Fee and Technology Fee (and any other fees due under this Agreement) due us does not constitute a waiver of any of our obligations to provide us with weekly sales reports as provided in Section 12 nor shall it be deemed a waiver of any of the rights and remedies available to us under this Agreement.

9.7 **Interest on Late Payments**. All Royalty Fees, Marketing Fees, amounts due from you for purchases from us or our affiliates, and other amounts which you owe us or our affiliates (unless otherwise provided for in a separate agreement between us or our affiliates) will begin to accrue interest after their respective due dates at the highest applicable legal rate for open account business credit, or if there is no maximum, at the rate of 1.5% per month. (You acknowledge that the inclusion of this Section in this Agreement does not mean we agree to accept or condone late payments, nor does it indicate that we have any intention to extend credit to, or otherwise finance your operation of the Business.) We shall have the right to require that any payments due us or our affiliates be made by certified or cashier's check in the event that any payment by check is not honored by the bank upon which the check is drawn. Payments due us or our affiliates shall not be deemed received until such time as funds from the deposit of any check by us or our affiliates is collected from your Account.

9.8 **Application of Payments**. When we receive a payment from you, we have the right, in our sole discretion, to apply it as we see fit to any past due indebtedness of yours due to us or our affiliates, whether for Royalties Fees, Marketing Fees, purchases, interest, or for any other reason, regardless of how you may designate a particular payment to be applied. You expressly acknowledge and agree that your obligations for the full and timely payment of the Royalty Fee and Marketing Fee (and all other amounts provided for in this Agreement) shall be absolute, unconditional, fully earned, and due upon your generation and receipt of Gross Sales. You shall not for any reason delay or withhold the payment of all or any part of those or any other payments due hereunder, put the same in escrow or set-off same against any claims or alleged claims you may allege against us or the System or others. You shall not, on grounds of any alleged non-performance by us or others, withhold payment of any fee, including, without limitation, Royalty Fees or Marketing Fees, nor withhold or delay submission of any reports due hereunder including, but not limited, to sales reports.

10. **BUSINESS OPERATING STANDARDS**.

10.1 **Importance of Uniformity**. By signing this Agreement, you indicate that you understand and acknowledge that every detail of the Business is important – not only to you, but to us and to other Fajita Pete's Business franchisees – in order to develop and maintain high and uniform operating standards, to increase the demand for the products and services sold by all franchisees, to establish and maintain a reputation for operating uniform, efficient, high quality Businesses, and to protect the goodwill of all Fajita Pete's Businesses. You also acknowledge that a fundamental requirement of the System, this Agreement, and other Fajita Pete's Business franchises is adherence by all franchisees to the Company's uniform standards and policies, except for certain regional or individual differences we may from time to time approve or require.

10.2 **Condition and Appearance of the Business**. You agree that:

(a) neither the Business nor the Premises will be used for any purpose other than the operation of a Fajita Pete's Business in compliance with this Agreement;

(b) you will maintain the condition and appearance of the Business, its equipment, furniture, furnishings, signs, and the Premises in accordance with our standards and consistent with the image of a Fajita Pete's Business as an efficiently operated business offering high quality products and services, and observing the highest standards of cleanliness, sanitation, efficiency, courteous service and fun ambiance, and in connection will take, without limitation, the following actions during the term of this Agreement: (1) thorough cleaning, repainting and redecorating of the interior and exterior of the Premises at reasonable intervals; (2) interior and exterior repair of the Premises; and (3) repair or replacement of damaged, worn out or obsolete equipment, furniture, furnishings and signs;

(c) you will not make any material alterations to the Premises, or to the appearance of the Business, as originally developed, without our advance approval;

(d) you will replace or add new equipment when we reasonably specify in order to meet changing standards;

(e) on notice from us, you will engage in remodeling, expansion, redecorating, re-equipping and/or refurnishing of the Premises and the Business to reflect changes in the operations of Fajita Pete's Businesses which we prescribe and require of new franchisees, provided that no material changes shall be required more than every 5 years and provided further that we will not require that you undertake such changes unless we have completed or undertaken a plan to complete the proposed changes in at least 50% of all similarly Company or affiliate-owned Fajita Pete's Businesses (all actual changes will be subject to our approval);

(f) you will place or display at the Premises (interior and exterior) only those signs, emblems, designs, artwork, lettering, logos, and display and advertising materials that we from time to time approve; and

(g) if at any time in our reasonable judgment, the general state of repair, appearance or cleanliness of the Premises, Business or its fixtures, equipment, furniture or signs do not meet our standards, we have the right to notify you, specifying the action you must take to correct the deficiency.

10.3 **Menu Items and Service Methods**. You agree that:

(a) the Business will offer for sale all menu items directed by us from time to time, and other products and services that we from time to time authorize;

(b) the Business will offer and sell approved products and services only in the manner we have prescribed;

(c) you will not offer for sale or sell at the Business, the Premises or any other location any menu items or other products or services we have not approved;

(d) you will discontinue selling and offering for sale any products or services that we at any time decide (in our sole discretion) to disapprove in writing;

(e) you will maintain sound and lighting at volume and intensity levels we specify from time to time;

(f) you will maintain an inventory of approved products, beverages, ingredients and other products sufficient in quantity and variety to realize the full potential of the Business; and

(g) you will acquire and use the audio systems we require at Fajita Pete's Businesses, including the type and content of music played at the Business.

We may, from time to time, conduct market research and testing to determine consumer trends and the saleability of new products and services. You agree to cooperate by participating in our market research programs, and by providing us with timely reports and other relevant information regarding that market research. In connection with any such test marketing, you agree to purchase a reasonable quantity of the tested products and effectively promote and make a reasonable effort to sell them.

10.4 **Approved Suppliers**. The reputation and goodwill of Fajita Pete's Businesses is based on, and can be maintained only by, the sale of distinctive, high quality food and beverage products, and the preparation and presentation of those products in an efficient and appealing manner. We have developed or may develop various unique products which may be prepared by or for us according to our secret recipes and formulas. We have also developed standards and specifications for menu items, ingredients, beverages, materials and supplies incorporated in or used in the preparation, presentation and delivery of prepared food and beverage products authorized for sale at Fajita Pete's Businesses. We have and will continue to periodically approve suppliers and distributors of the above products that meet our standards and requirements, including, without limitation, standards and requirements relating to product quality, prices, consistency, reliability, financial capability, labor relations and customer relations. We may also approve certain suppliers of services necessary for the development and operation of Fajita Pete's Businesses, including, without limitation, Brand Technology services, insurance services, real estate leasing services, merchant services and linen services.

We may approve a single distributor or other supplier (collectively "supplier") for any product or service (which may be us or our affiliates) and may approve a supplier only as to certain products or services. You agree that the Business will:

(a) purchase products for sale from the Business in such quantities as we designate;

(b) utilize such formats, formulas and containers for products as we prescribe; and

(c) purchase all products, services, beverages, menus, serving baskets, plates, napkin, glassware, flatware, paper and plastic products, packaging or other materials, and utensils only from distributors and other suppliers we have approved.

We may concentrate purchases with one or more suppliers to obtain lower costs and prices or the best advertising support or services for any group of Fajita Pete's Businesses franchised or operated by us or our affiliates. Approval of a supplier may be conditioned on requirements relating to the frequency of delivery, concentration of purchases, standards of service, including prompt attention to complaints, or other criteria and may be temporary, pending our continued evaluation of the supplier from time to time.

If you would like to purchase any items from any unapproved supplier for products or services that are not exclusively available from us, our affiliates or a designated supplier, you must submit to us a written request for approval of the proposed supplier. (Or the proposed supplier may submit its own request.) We have the right to inspect the proposed supplier's facilities, and to require product samples from the proposed supplier to be delivered at our option either directly to us or to any independent, certified laboratory which we designate for testing. Either you or the proposed supplier must pay us a fee (not to exceed the reasonable cost of the inspection and the actual cost of the test) to make the evaluation. We reserve 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 criteria. (Please note: Do not construe the new-supplier approval process just explained as requiring us to approve any proposed supplier.)

We reserve the right to retain any rebates, commissions or similar payments paid by third-party suppliers on products or services sold to Fajita Pete's Businesses.

10.5 **Hours of Operation**. You agree to keep the Business open for business at such times and during such hours as we may prescribe from time to time.

10.6 **Specifications, Standards and Procedures**. You agree to comply with all mandatory specifications, standards, and operating procedures relating to the appearance, function, cleanliness, sanitation and operation of a Fajita Pete's Business. Mandatory specifications, standards, and operating procedures we prescribe from time to time in the Operations Manual, or otherwise communicated to you in writing, will constitute provisions of this Agreement as if fully set forth in this Agreement. All references to "this Agreement" include all such mandatory specifications, standards, and operating procedures.

10.7 **Compliance with Laws and Good Business Practices**. You agree to secure and maintain in force in your name all required licenses, permits, and certificates relating to the operation of the Business, including all liquor licenses. You also agree to operate the Business in full compliance with all applicable laws, ordinances, and regulations, including, without limitation, all government regulations relating to worker's compensation insurance, unemployment insurance, and withholding and payment of federal and state income taxes, social security taxes and sales taxes.

All advertising you employ must be completely factual, in good taste (in our judgment), and must conform to the highest standards of ethical advertising. You agree that in all dealings with us, your customers, your suppliers, and with public officials, you will adhere to the highest standards of honesty, integrity, fair dealing and ethical conduct. You further agree to refrain from any business or advertising practice which may be harmful to the business of the Company and the goodwill associated with the Marks and other Fajita Pete's Businesses.

You must notify us in writing within 5 days of the commencement of any action, suit, or proceeding, and of the issuance of any order, writ, injunction, award, or decree of any court, agency, or other governmental unit, which may adversely affect your operation or financial condition or that of the Business, or of any notice of violation of any law, ordinance, or regulation relating to health or safety.

10.8 **Management and Personnel of the Business**. The Business at all times must be under the direct, on-Premises supervision of you (or your designated Principal Owner) and a management team which has completed our required training programs, all of whom must devote full time and efforts to the management of the Business. The designated Principal Owner we approve shall have at all times at least a 10% ownership interest in you. You agree to be solely responsible for all employment decisions and functions of the Business, including those related to hiring, training, firing, wage and hour requirements, recordkeeping, supervision, and discipline of employees, in addition to compliance with all applicable federal, state, and local laws, rules and regulations. You agree to establish at the Business a training program for all employees using our Operations Manual. You agree to require all employees to maintain a neat and clean appearance and to conform to the standards of dress and/or uniforms we specify from time to time for Fajita

Pete's Businesses. All employees shall render prompt, efficient and courteous service to all customers of the Business. Subject to our prior written approval, you may hire an experienced manager to assist you in the direct, on-Premises supervision of the Business (the "General Manager"). We reserve the right to approve of the individual hired to assume this role of General Manager.

10.9 **Insurance**. Prior to the opening of the Business to the public, you must obtain insurance coverage that we designate from time to time, including general liability, liquor liability, business interruption, property damage and worker's compensation insurance. We may periodically increase or decrease the amounts of coverage required under these insurance policies and require different or additional kinds of insurance at any time, including excess liability insurance, to reflect inflation, identification of new risks, changes in law or standards of liability, higher damage awards or other relevant changes in circumstances. Each insurance policy must name us (and, if we request it, our directors, employees, owners and affiliates) as an additional insured and must provide us with 30 days advance written notice of any material modification, cancellation, or expiration of the policy. You must maintain these policies in force during the entire term of this Agreement. Before the expiration of the term of each insurance policy, you must furnish us with a copy of each policy you are to maintain for the upcoming term, along with evidence of the payment of the premium for each. Your obligation to maintain insurance coverage as described in this Agreement will not be reduced in any manner by reason of any separate insurance we maintain on our own behalf, nor will our maintenance of that insurance relieve you of any obligations under Section 7 of this Agreement. Should you, for any reason, not procure and maintain such insurance coverage as required by this Agreement, we shall have the right and authority (without, however, any obligation to do so) immediately to procure such insurance coverage and to charge same to you, which charges, together with a reasonable fee for expenses incurred by us in connection with such procurement, shall be payable by you immediately upon notice.

10.10 **Participation in Promotions**. You agree to participate in promotional programs developed by us for the System, in the manner directed in the Operations Manual or otherwise in writing. In no way limiting the foregoing, you agree that if required by us:

(a) You shall participate in all programs and services for frequent customer and other categories, such as loyalty programs developed from time to time, which may include providing discounts.

(b) You shall sell or otherwise issue gift cards or certificates (together "Gift Cards") that have been prepared utilizing the standard form of Gift Card provided or designated by us, and only in the manner specified in the Operations Manual or otherwise in writing. You shall fully honor all Gift Cards that are in the form provided or approved by us regardless of whether a Gift Card was issued by you, us or another Fajita Pete's Business. You shall sell, issue, and redeem (without any offset against any Royalty Fee, Marketing Fee or other required payment) Gift Cards in accordance with procedures and policies specified by us in the Operations Manual or otherwise in writing, including those relating to procedures by which we shall request reimbursement for Gift Cards issued by other Fajita Pete's Businesses and for making timely payment to us, other operators of

Fajita Pete's Businesses, or a third-party service provider for Gift Cards issued from the Business that are honored by us or other Fajita Pete's Business operators. In no way limiting the foregoing, you expressly understand, agree and acknowledge that we shall control all revenue received through the sale or issuance of Gift Cards regardless of whether such Gift Cards were sold or issued by you, us or another Fajita Pete's Business, and you are not entitled to any of this revenue unless a Gift Card is redeemed at your Business. All unredeemed Gift Card revenue received by us shall inure solely and exclusively to our benefit.

10.11 **Mystery Shopper Program**. We may, from time to time, conduct or cause to be conducted mystery shopper programs to determine customer satisfaction with Fajita Pete's Businesses. You agree to reimburse us for your allocable share of the expenses we incur or our authorized representatives incur in administering and conducting the mystery shopper programs, and you agree to promptly pay such expenses upon demand; provided, however, that such expenses shall not exceed $1,500 during each year of this Agreement.

10.12 **Quality Assurance Programs**. We may engage a third party vendor to conduct quality assurance inspections or visits of Fajita Pete's Businesses. If we do, you agree to reimburse us for your allocable share of the cost of any such programs.

10.13 **Credit Cards and Other Methods of Payment**. You must at all times have arrangements in existence with credit and debit card issuers or sponsors and electronic fund transfer systems that we designate from time to time in the Operations Manual or otherwise in writing in order that the Business may accept customers' credit and debit cards and other methods of payment.

10.14 **Pricing**. We reserve the right, to the fullest extent allowed by applicable law, to establish maximum, minimum, or other pricing requirements with respect to the prices you may charge for products and services, including pricing we prescribe from time to time for any national, regional or local advertising or promotion.

11. **MARKETING**.

11.1 **By Company**. As stated earlier, due to the value of marketing and the importance of promoting the public image of Fajita Pete's Businesses, we will maintain and administer one or more national or regional advertising fund(s) (the "Marketing Fund"). In Section 9.4, you agreed to contribute to that Marketing Fund. Fajita Pete's Businesses owned by us, our owners (and related entities) and our affiliates may, but are not obligated to, in our sole judgment, contribute to the Marketing Fund on the same basis as you do.

We will be entitled to direct all marketing, advertising and promotion administered by the Marketing Fund, with sole discretion over the creative concepts, materials, and endorsements used in them. You agree that the Marketing Fund may be used to meet any and all costs of maintaining, administering, directing, conducting, and preparing marketing, advertising, public relations, and/or promotional programs and materials, and any other activities including socially responsible activities, which we believe will enhance the image of the System, including, among other things, the costs of preparing and conducting media marketing campaigns; direct mail advertising; marketing surveys and other public relations activities; employing assistance of advertising and/or public relations agencies; sponsorship of organizations and events; purchasing promotional items; conducting and administering in-store promotions; and providing promotional and other marketing materials and services to the Fajita Pete's Businesses operating under the System. Any modifications or customizations to these materials made by you shall require our prior written approval.

The Marketing Fund will be accounted for separately from our other funds and will not be used to defray any of our general operating expenses, except for any reasonable salaries, administrative costs and overhead we may incur in activities reasonably related to the administration of the Marketing Fund and its marketing, advertising and promotional programs (including, without limitation, conducting market research, preparing advertising and marketing materials, and collecting and accounting for contributions to the Marketing Fund). We may spend in any fiscal year an amount greater or less than the total contribution of Fajita Pete's Businesses to the Marketing Fund in that year. We may cause the Marketing Fund to borrow from us or other lenders to cover deficits of the Marketing Fund or cause the Marketing Fund to invest any surplus for future use by the Marketing Fund. All interest earned on monies contributed to the Marketing Fund will be used to pay costs of the Marketing Fund before other assets of the Marketing Fund are expended. We will prepare an annual unaudited statement of monies collected and costs incurred by the Marketing Fund and will make it available to you on written request.

You understand and acknowledge that the Marketing Fund is intended to maximize recognition of the Marks and patronage of Fajita Pete's Businesses. Although we will endeavor to use the Marketing Fund to develop advertising and marketing materials for the System, we undertake no obligation to ensure that expenditures by the Marketing Fund in or affecting any geographic area are proportionate or equivalent to contributions to the Marketing Fund by Fajita Pete's Businesses operating in that geographic area or that any Fajita Pete's Business will benefit directly or in proportion to its contribution to the Marketing Fund from the development of advertising and marketing materials. Except as expressly provided in this Section 11.1, we assume no direct or indirect liability or obligation to you with respect to the maintenance, direction, or administration of the Marketing Fund.

We shall have the right to terminate the Marketing Fund by giving you 30 days' prior written notice. All unspent monies on the date of termination shall be divided between the Company and franchisees in proportion to our and their respective contributions. At any time thereafter, we shall have the right to reinstate the Marketing Fund under the same terms and conditions as described in this Section 11.1 (including the rights to terminate and reinstate), by giving you 30 days' prior written notice of reinstatement.

11.2 **By Franchise Owner**. During the term of this Agreement, you shall spend monthly (or during such other period we designate) at least 2% of your Gross Sales on marketing, advertising and promotion in your local market area, provided that any amount you are required to contribute to us in excess of 1% of the Gross Sales of the Business for the Marketing Fee will count toward your expenditure obligations under this Section 11.2. In addition, you agree to list and advertise the Business in each of the classified telephone directories distributed within your market area, in those business classifications as we prescribe from time to time and using our standard form of classified telephone directory advertisement.

On each occasion before you use them, samples of all local marketing, advertising and promotional materials not prepared or previously approved by us must be submitted to us for approval. If you do not receive our written disapproval within 15 days from the date we receive the materials, the materials will be deemed to have been approved. You agree not to use any marketing, advertising or promotional materials that we have disapproved. Within 30 days following the end of each calendar year (and any interim periods as we may otherwise prescribe), you agree to submit to us a marketing expenditure report accurately reflecting your local marketing, advertising and promotional expenditures for the preceding year (or other periods we prescribe).

11.3 **Local and Regional Advertising Cooperatives**. We reserve the right to require that you participate in local and regional advertising cooperatives in connection with the marketing, advertising and promotional programs administered by us or by other Fajita Pete's Business franchisees. You agree to pay any contributions that we require you to make for expenditure by these local or regional advertising cooperatives or that may be otherwise approved by these cooperatives, provided that you will not be obligated to pay more than 2% of the Gross Sales of the Business to such cooperatives. Any contribution you are required to make to any local or regional advertising cooperatives will count toward your expenditure obligations under Section 11.2.

11.4 **Websites**. You acknowledge and agree that any Website (as defined below) will be deemed "advertising" under this Agreement, and will be subject to, among other things, our approval under this Section 11.4. As used in this Agreement, the term "Website" means an interactive electronic document, contained in a network of computers linked by communications software, that you operate or authorize others to operate and that refers to the Business, the Marks, us, and/or the System. The term "Website" includes, but is not limited to, Internet and World Wide Web home pages. In connection with any Website, you agree to the following:

(a) You will not establish or use any Website without our prior written approval.

(b) Before establishing any Website we approve, you will submit to us a sample of the Website format and information in the form and manner we may reasonably require.

(c) In addition to any other applicable requirements, you will comply with our standards and specifications for Websites as we prescribe in the operating materials or otherwise in writing, including elements and features placed on the Website. If we require, you will establish your Website as part of our website and/or establish electronic links to our website.

(d) If you propose any material revision to the Website or any of the information contained in the Website, you will submit each such revision to us for our prior written approval.

Any costs you may incur relating to creating, hosting or updating any Website will not be considered local advertising for purposes of your local advertising responsibilities, provided that we may use funds in the Marketing Fund to offset the cost of any Website.

12. **ACCOUNTING, REPORTS AND FINANCIAL STATEMENTS**.

(a) You agree to keep full and accurate books of account and other records reflecting the results of operation of the Business on a calendar year basis (or, if we request, consistent with our yearly accounting periods) in a format we prescribe. You agree to establish and maintain at your own expense a bookkeeping, accounting, and recordkeeping system conforming to the requirements, data processing and cash register systems and formats we prescribe from time to time, including our standard chart of accounts. These systems may include capability of being polled by our central computer system. With respect to the operation and financial condition of the Business, you agree to furnish us in the form we prescribe from time to time:

(b) if we request it daily, an e-mail report of the Gross Sales for the preceding day;

(c) by the 3rd business day after the close of the sales week as designated by us an e-mail report of the Gross Sales of the Business for such sales week and any other data, information, and supporting records that we reasonably require;

(d) by the 10th day following each month (or the 4-week accounting period prescribed by us), a profit and loss statement for that accounting period and a year to date profit and loss statement and balance sheet;

(e) within 120 days after the end of each calendar year (or, if we request, our yearly accounting period), a year-end balance sheet and an annual profit and loss statement for that year, reflecting all year-end adjustments; and

(f) such other sales reports and information as we shall reasonably prescribe from time to time for any reporting period or otherwise.

You must specify and sign each report and financial statement required by this Section in the manner we prescribe. You agree to maintain and furnish, if we request it, complete copies of federal and state income tax returns you file with the Internal Revenue Service and state tax departments reflecting sales and income of the Business or the corporation, limited liability company or partnership that holds the Franchise. We reserve the right to require you to have audited or reviewed financial statements prepared by a certified public accountant on an annual basis.

13. **INSPECTIONS AND AUDITS**.

13.1 **Company's Right to Inspect the Business**. To determine whether you and the Business are complying with this Agreement, and with specifications, standards, and operating procedures we prescribe for the operation of Fajita Pete's Businesses, we or our agents have the right, at any reasonable time and without advance notice to you, to:

(a) inspect the Premises;

(b) observe the operations of the Business for such consecutive or intermittent periods as we deem necessary;

(c) interview personnel of the Business;

(d) interview customers of the Business; and

(e) inspect and copy any books, records and documents relating to the operation of the Business.

You agree to fully cooperate with us in connection with any of those inspections, observations and interviews. You agree to present to your customers any evaluation forms we periodically prescribe and agree to participate and/or request your customers to participate in any surveys performed by or on our behalf.

13.2 **Company's Right to Audit**. We have the right at any time during business hours, and upon 24 hours' notice to you, to inspect and audit, or cause to be inspected and audited, the business records, bookkeeping and accounting records, sales and income tax records and returns and other records of the Business and the books and records of any corporation, limited liability company or partnership which holds the Franchise. You agree to fully cooperate with our representatives and independent accountants we may hire to conduct any inspection or audit. If the inspection or audit is made necessary by your failure to furnish the reports, supporting records, other information or financial statements, required by this Agreement, or to furnish those reports, records, information or financial statements on a timely basis, or if an understatement of Gross Sales for any period is determined by an audit or inspection to be greater than 2%, you agree to pay us all monies owed, plus interest, and reimburse us for the cost of such inspection or audit, including, without limitation, the charges of attorneys and any independent accountants, and the travel expenses, room and board and applicable per diem charges for our employees. The above remedies are in addition to all our other remedies and rights under this Agreement or under applicable law.

14. **TRANSFER REQUIREMENTS**.

14.1 **Interests in Franchise Owner**. You and each Principal Owner represent, warrant and agree that all Interests in Franchise Owner are owned in the amount and manner disclosed to us in Exhibit C and that no change will be made in the ownership of an Interest other than as expressly permitted by this Agreement or as we may otherwise approve in writing. You and each Principal Owner agree to furnish us with evidence as we may request from time to time to assure ourselves that the Interests in Franchise Owner remain as permitted by this Agreement, including a list of all persons owning any Interest. No Interest in Franchise Owner will, during the term of this Agreement, be "public securities" (i.e., securities which require, for their issuance, registration with any state or federal authority). An "Interest" is defined to mean any shares, partnership or other ownership interests in or of Franchise Owner and any other equitable or legal right in any of Franchise Owner's stock, revenues, profits, rights or assets.

You and each Principal Owner represent, warrant and agree, except as otherwise permitted in Section 14.3, that neither the Business, its assets, this Agreement nor any Interest of a Principal has or will be given as security or pledged for any obligation.

14.2 **Transfer by Company**. We shall have the right, without the need for your consent, to transfer or assign this Agreement and all or any part of our rights or obligations herein to any person or legal entity. Upon any such transfer or assignment, we shall be under no further obligation hereunder, except for accrued liabilities, if any. If we transfer or assign our rights in this Agreement, nothing herein shall be deemed to require us to remain in the "Fajita Pete's" business or to offer or sell any products or services to you. In addition, and without limitation to the foregoing, you expressly affirm and agree that we may sell our assets, our Marks, or our System; may sell our securities in a public offering or in a private placement; may merge, acquire other corporations, or be acquired by another corporation; and may undertake a refinancing, recapitalization, leveraged buy-out, or other economic or financial restructuring.

14.3 **No Transfer Without Approval**. You understand and acknowledge that the rights and duties created by this Agreement are personal to you and your Principal Owners and that we have entered into this Agreement in reliance on the individual or collective character, skill, aptitude, attitude, business ability, and financial capacity of you and your Principal Owners. Accordingly, neither this Agreement, the Business, nor any Interest of a Principal Owner, may be transferred without our advance written approval. Any Transfer that is made without our approval will constitute a breach of this Agreement and convey no rights to or interests in this Agreement, in you, or in the Business.

As used in this Agreement, the term "Transfer" means any voluntary, involuntary, direct or indirect assignment, sale, gift, exchange, grant of a security interest in this Agreement, the Business or its assets, or the occurrence of any event which would or might change the ownership of any Interest, and includes, without limitation:

(a) Transfer of ownership of capital stock, partnership interest or other ownership interests;

(b) merger or consolidation, or issuance of additional securities representing an ownership interest in Franchise Owner;

(c) sale of common stock of Franchise Owner sold pursuant to a private placement or registered public offering;

(d) Transfer of an Interest in a divorce proceeding or otherwise by operation of law; or

(e) Transfer of an Interest by will, declaration of or transfer in trust, or under the laws of intestate succession.

We will not unreasonably withhold consent to a Transfer of an Interest by a Principal Owner to a member of his immediate family or to your key employees, so long as all Principal Owners retain a "controlling Interest" in you, although we reserve the right to impose reasonable conditions on the Transfer as a requirement for our consent.

We will not unreasonably withhold consent to the granting of a lien on the assets of the Business or a Principal Owner's Interest to a bank or other lending institution which is providing financing to you.

14.4 **Conditions for Approval of Transfer**. If you and your Principal Owners are in full compliance with this Agreement, we will not unreasonably withhold our approval of a Transfer that meets all the applicable requirements of this Section. The person or entity to whom you wish to make the Transfer and principal owners ("Proposed New Owner") must be individuals of good moral character and otherwise meet our then current standards for Fajita Pete's Business franchisees and owners. If you propose to Transfer this Agreement, the Business or a controlling Interest in you, or make a Transfer that is one of a series of Transfers which taken together would constitute the Transfer of this Agreement, the Business or a controlling Interest in you, all of the following conditions must be met before or at the time of the Transfer:

(a) the Proposed New Owner must have sufficient business experience, aptitude, and financial resources to operate the Business;

(b) you must pay any amounts owed for purchases from us and our affiliates, and any other amounts owed to us or our affiliates which are unpaid;

(c) the Proposed New Owner and its management team must have successfully completed our training program;

(d) if your lease for the Premises requires it, the lessor must have consented to the assignment or sublease of the Premises to the Proposed New Owner;

(e) you shall have paid to us a transfer fee equal to 50% of our then current initial franchise fee for a Fajita Pete's Business franchise, plus, in the event the Proposed New Owner has previously approached us as a prospective franchisee, 10% of the purchase price paid to Franchisee by the Proposed New Owner;

(f) you and your Principal Owners must execute a general release (in a form satisfactory to us) of any and all claims against us and our owners, officers, directors, employees, and agents;

(g) we must approve the material terms and conditions of the proposed Transfer, including, without limitation, that the price and terms of payment are not so burdensome as to adversely affect the operation of the Business;

(h) The Business shall have been left in an attractive, neat and sanitary condition;

(i) The Business shall have been determined by us to contain all equipment and fixtures in good working condition, as were required at the initial opening of the Business. At our request, the Proposed New Owner shall have agreed, in writing, to make such reasonable capital expenditures to remodel, equip, modernize and redecorate the interior and exterior of the premises in accordance with our then existing plans and specifications for Fajita Pete's Businesses;

(j) Upon receiving our consent for the Transfer, the Proposed New Owner shall agree to assume all of your obligations under this Agreement in a form acceptable to us, or at our option, shall agree to execute a new franchise agreement and related agreements with us in the form then being used by us;

(k) The Proposed New Owner shall be responsible for the travel and living expenses (including all transportation costs, room, board and meals) incurred during the training program. You shall reimburse us for any reasonable expenses incurred by us in investigation and processing any Proposed New Owner where the Transfer is not consummated for any reason; and

(l) You or your Principal Owners must have properly offered us the opportunity to exercise our right of first refusal as described in Section 14.7, and we must have declined to exercise it.

You further agree and understand that the Business or its assets may not be transferred, sold or assigned except in connection with a Transfer of this Agreement.

14.5 **Death and Disability**. Upon your death or permanent disability (or the death or permanent disability of a Principal Owner), the executor, administrator, conservator or other personal representative of such person shall transfer his/her interest within a reasonable time, not to exceed 12 months from the date of death or permanent disability, to a person approved by us. Such transfers, including, without limitation, transfers by devise or inheritance, shall be subject to all the terms and conditions for assignments and transfers contained in this Agreement. Failure to so dispose of such interest within said period of time shall constitute grounds for termination under this Agreement. If the Business is not being managed properly in our reasonable judgment after the death or permanent disability of you or a Principal Owner, we shall have the right, but not the obligation, to manage the Business until an approved assignee shall be able to assume the management and operation of the Business. We shall have the right to charge a reasonable fee for such management services.

14.6 **Effect of Consent to Transfer**. Our consent to a proposed Transfer pursuant to this Section will not constitute a waiver of any claims we may have against you, nor will it be deemed a waiver of our right to demand exact compliance with any of the terms or conditions of this Agreement by the Proposed New Owner.

14.7 **Company's Right of First Refusal**. If you wish to sell the Business or if any Principal Owner wishes to sell an Interest, we will have a right of first refusal to purchase the Business or that Interest. The party proposing the Transfer (the "Transferor") must obtain a bona fide, executed written offer (accompanied by a "good faith" earnest money deposit of at least 5% of the purchase price) from a responsible and fully disclosed purchaser and must submit an exact copy of the offer to us. You also agree to provide us with any other information we need to evaluate the offer, if we request it within 15 days of receipt of the offer. We have the right, exercisable by delivering written notice to the Transferor within 30 days from the date of last delivery to us of the offer and any other documents we have requested, to purchase the Business or the Interest for the price and on the terms and conditions contained in the offer, except that we may substitute cash for any form of payment proposed in the offer and we will not be obligated to pay any "finder's" or broker's fees that are a part of the proposed Transfer. We will consider requests which you or any Principal Owner may make as to the method of completing the transaction, but we will not be obligated to complete the transaction in a form other than an "asset" purchase. Our credit will be deemed equal to the credit of any other proposed purchaser, and we will have at least 60 days to prepare for closing. We will be entitled to all customary representations and warranties. If the proposed Transfer includes assets not related to the operation of the Business, we may purchase only the assets related to the operation of the Business or may also purchase the other assets. (An equitable purchase price will be allocated to each asset included in the Transfer.)

If we do not exercise our right of first refusal, the Transferor may complete the sale to the Proposed New Owner pursuant to and on the terms of the offer, as long as we have approved the Transfer as provided in Sections 14.3 or 14.4. You must immediately notify us of any changes in the terms of an offer. Any material change in the terms of an offer before closing will make it a new offer, revoking any previous approval or previously made election to purchase and giving us a new right of first refusal effective as of the day we receive formal notice of a material change in the terms. If the sale to the Proposed New Owner is not completed within 120 days after we have approved the sale, our approval of the proposed sale will expire. Any later proposal to complete that proposed sale will be deemed a new offer, giving us a new right of approval and right of first refusal effective as of the day we receive formal notice of the new (or continuing) proposal. We will not exercise a right of first refusal with respect to a proposed sale of less than a controlling Interest to a member of a Principal Owner's immediate family or to your key employees.

15. **TERMINATION OF THE FRANCHISE**.

15.1 **Company's Right to Terminate**. We shall have the right to terminate this Agreement effective upon delivery of notice of termination to you, if:

(a) you fail to purchase or lease the Premises for the Business or develop or open the Business as provided in this Agreement;

(b) you or your Principal Owner fails to satisfactorily complete our training program;

(c) you abandon, surrender, transfer control of, lose the right to occupy the Premises of or fail to actively operate the Business, or the lease for the location of the Business is terminated because of your default thereunder;

(d) you or any of your Principal Owners assign or transfer this Agreement, the Business or its assets or any Interest or without compliance with the provisions of Section 14;

(e) you are adjudged as bankrupt, become insolvent or make a general assignment for the benefit of creditors;

(f) you or any of your Principal Owners are convicted of or plead no contest to a felony or are convicted or plead no contest to any crime or offense that is likely to adversely affect the reputation of the Business and the goodwill associated with the Marks;

(g) you violate any health or safety law, ordinance or regulation or operate the Business in a manner that presents a health or safety hazard to its customers or the public or you violate any law, ordinance or regulation governing the sale of alcohol;

(h) you fail to pay when due any monies owed to us or our affiliates or any supplier and do not correct such failure within 10 days after written notice thereof is given to you;

(i) you knowingly maintain false books or records, or knowingly submit any false statements or reports to us;

(j) you disclose, divulge or use Confidential Information contrary to the terms of Section 8, or you fail to comply with the non-competition provision of Section 8.4;

(k) you misuse or make any unauthorized use of the Marks or any other identifying characteristics of the System, or you otherwise operate the Business in a manner that materially impairs the reputation or goodwill associated with the System, the Marks, or our rights therein;

(l) you or your Principal Owners fail to comply with any other provision of this Agreement or any mandatory specification, standard or operating procedure within 30 days after written notice of such failure to comply is given to you or your Principal Owners; or

(m) you fail on 2 or more separate occasions within any 12 consecutive month period to submit when due financial statements, reports or other data, information or supporting records, to pay when due the Royalty Fees or Marketing Fees, advertising contributions, amounts due for purchases from us or our affiliates, or other payments due to us, or otherwise fail to comply with this Agreement, whether or not such failures to comply are corrected after notice is given to you.

15.2 **Step in Rights**. In order to prevent any interruption of the operations which would cause harm to the Business, we have the right, but not the obligation, to step-in and designate an individual of our choosing (an "Interim Manager") to temporarily manage the Business in the event that: (a) you fail to comply with any provision of this Agreement and do not cure this failure; (b) we determine that the operation of the Business is in jeopardy; (c) we determine that operational problems and deficiencies require that we operate the Business; (d) you abandon or fail to actively operate the Business; (e) your designated Principal Owner dies or is determined to be temporarily or permanently disabled; or (f) we deem you incapable of operating the Business ("Step-in Rights"). If we exercise our Step-in Rights, then: (a) we will keep in a separate account all monies generated by the operation of the Business, less the expenses of the Business, including reasonable compensation and expenses for our representatives (including an Interim Manager) as well as other expenses incurred; (b) you agree to hold us and our representatives harmless for all actions occurring during the course of such temporary management of the Business and acknowledge that the Interim Manager and such representatives will have no liability to you, except to the extent directly caused by gross negligence or willful misconduct; (c) you agree to pay us our then current management fee; (d) you agree to pay us, in addition to the management fee, all of our reasonable costs and expenses, including, but not limited to, attorneys' fees incurred as a consequence of exercising our Step-in Rights; and (e) you acknowledge that us and our representatives (including an Interim Manager) will have a duty to utilize only reasonable efforts and will not be liable to you or your owners for any debts, losses, damages, or obligations you or the Business incur, or to any of your or the Business's suppliers, vendors or creditors for any supplies, products, or other assets or services you or the Business purchases, while managed by us or an Interim Manager. Nothing contained herein shall prevent us from exercising any other right which we may have under this Agreement, including, without limitation, termination. The foregoing shall be in addition to all other remedies available to us under this Agreement and at law.

16. **RIGHTS AND OBLIGATIONS OF COMPANY AND FRANCHISE OWNER UPON TERMINATION OR EXPIRATION OF THE FRANCHISE**.

16.1 **Liquidated Damages**. You confirm that we will suffer substantial damages by virtue of the termination of this Agreement, including, without limitation, lost Royalty Fees, lost market penetration and goodwill in the Protected Area, lost opportunity costs and the expense we will incur in developing another franchise for the Protected Area, which damages are impractical and extremely difficult to ascertain and/or calculate accurately, and the proof of which would be burdensome and costly, although such damages are real and meaningful to us and the System. Accordingly, in the event that we terminate this Agreement for your default hereunder, you agree to pay to us in a lump sum on the effective date of termination, liquidated damages, which represents a fair and reasonable estimate of our foreseeable losses as a result of such termination, and which are not in any way intended to be a penalty, in an amount equal to the average of the monthly Royalty Fees paid (or payable) over the past twelve (12) months times the lesser of twenty-four (24) or the number of full calendar months remaining in the term of this Agreement at the time of termination. If you had not operated the Business for at least twelve (12) months, then the average of the monthly Royalty Fees will be calculated during the period that you operated the Business. Your payment to us under this Section will be in lieu of any direct monetary damages that we may incur as a result of our loss of Royalty Fees that would have been owed to us after the date of termination; however, such payment shall be in addition to all damages and other amounts arising under this Agreement, including, without limitation, Section 15 and Section 16, our right to injunctive relief, and any attorneys' fees and other costs and expenses to which we are entitled under this Agreement. The foregoing shall be in addition to all other remedies available to us under this Agreement and at law.

16.2 **Payment of Amounts Owed to Company**. You agree to pay us within 5 days after the effective date of termination or expiration of the Franchise, or any later date that the amounts due to us are determined, all amounts owed to us or our affiliates which are then unpaid.

16.3 **Marks**. You and your Principal Owners agree that after the termination or expiration of the Franchise you will:

(a) not directly or indirectly at any time identify any business with which you are associated as a current or former Fajita Pete's Business franchise (other than another Fajita Pete's Business under a franchise agreement with us);

(b) not use any Mark or any colorable imitation of any Mark in any manner or for any purpose, or use for any purpose any trademark or other commercial symbol that suggests or indicates an association with us;

(c) return to us any proprietary software and return to us or destroy (whichever we specify) all forms and materials containing any Mark or otherwise relating to a Fajita Pete's Business;

(d) remove all Marks affixed to uniforms or, at our direction, cease to use those uniforms;

(e) take any action that may be required to cancel all fictitious or assumed name or equivalent registrations relating to your use of any Mark; and

(f) notify the telephone company and all listing agencies of the termination or expiration of your right to use any telephone number and any regular, classified or other telephone directory listings associated with any Mark and promptly execute such documents or take such steps as may be necessary or appropriate to enable us to utilize all such telephone numbers.

16.4 **De-Identification**. If you retain possession of the Premises, you agree to completely remove or modify, at your sole expense, any part of the interior and exterior decor that we deem necessary to disassociate the Premises with the image of a Fajita Pete's Business, including any signage bearing the Marks. If you do not take the actions we request within 30 days after notice from us, we have the right to enter the Premises and make the required changes at your expense, and you agree to reimburse us for those expenses on demand.

16.5 **Confidential Information**. You agree that on termination or expiration of the Franchise you will immediately cease to use any of the Confidential Information, and agree not to use it in any business or for any other purpose. You further agree to immediately return to us all copies of the Operations Manual and any other confidential materials which we have loaned to you.

16.6 **Covenant Not to Compete**. On termination or expiration of this Agreement in accordance with its terms, you and your Principal Owners agree that for a period of 2 years after the effective date of termination or expiration, or the date on which you stop operating the

Business, whichever is later, neither you nor your Principal Owners will provide services to or have any direct or indirect interest (through a member of your immediate family or that of a Principal Owner, or otherwise) as a disclosed or beneficial owner, investor, manager, or consultant, in any Competitive Business located or operating at or within a radius of 25 miles of the Premises, or within 25 miles of any other Fajita Pete's Business then in existence or under construction.

16.7 **Company's Option to Purchase Business**. Upon the termination or expiration of the Franchise, we shall have the option, but not the obligation, exercisable for 30 days upon written notice to you, to purchase at fair market value all of the assets of the Business including all approved equipment, fixtures, furniture and signs and all glassware, utensils, supplies, materials and other items imprinted with any Mark. If we cannot agree on the fair market value of the assets of the Business within a reasonable period of time, such value shall be determined by an independent appraiser selected by mutual agreement between the parties. We shall not assume any liabilities, debts or obligations of the Business in connection with any such transfer and you shall indemnify us from any and all claims made against us arising out of any such transfer of the assets of the Business. The parties shall comply with all applicable laws in connection with any such transfer and you shall cooperate with the Company in complying with all such requirements. At the closing of the purchase of the Business, as provided above, both of us shall execute and deliver all documents necessary to vest title in the Company or its nominee free and clear of all liens and encumbrances. We shall have the right to set off against the purchase price of the assets of the Business all amounts due to the Company under this Agreement or any other agreement between the parties.

16.8 **Real Property**. In the event you own the real property on which the Business is located, we will also have the option to purchase this property for a period of 30 days following expiration or termination of this Agreement. If we and you cannot agree on the fair market value of the property within a reasonable period of time, such value shall be determined by an independent appraiser selected by mutual agreement between the parties. The purchase price will be payable in full at the closing, minus customary prorations, including the pay-off of existing mortgage. If you lease the real property on which the Business is located, we also have the option to assume the lease from you on a prospective basis under the original terms and conditions negotiated by you and the landlord.

16.9 **Continuing Obligations**. All obligations of this Agreement (whether yours or ours) which expressly or by their nature survive the expiration or termination of this Agreement will continue in full force and effect after and notwithstanding its expiration or termination until they are satisfied in full or by their nature expire.

17. **ENFORCEMENT**.

17.1 **Invalid Provisions; Substitution of Valid Provisions**. To the extent that either Section 8.4 or 16.5 is deemed unenforceable because of its scope in terms of area, business activity prohibited, or length of time, you agree that the invalid provision will be deemed modified or limited to the extent or manner necessary to make that particular provision valid and enforceable to the greatest extent possible in light of the intent of the parties expressed in that provision under the laws applied in the forum in which we are seeking to enforce it. If any lawful requirement or court order of any jurisdiction requires a greater advance notice of the termination or non-renewal of this Agreement than is required under this Agreement, or the taking of some other action which is not required by this Agreement, or makes any provision of this Agreement or any specification, standard or operating procedure we prescribed invalid or unenforceable, the advance notice and/or other action required or revision of the specification, standard or operating procedure will be substituted for the comparable provisions of this Agreement in order to make the modified provision enforceable to the greatest extent possible. You agree to be bound by the modification to the greatest extent lawfully permitted.

17.2 **Written Consents from Company**. Whenever this Agreement requires our advance approval or consent, you agree to make a timely written request for it. Our approval or consent will not be valid unless it is in writing.

17.3 **No Guarantees**. If, in connection with this Agreement, we provide to you any waiver, approval, consent, or suggestion, or if we neglect or delay our response or deny any request for any of those, we will not be deemed to have made any warranties or guarantees which you may rely on, and will not assume any liability or obligation to you.

17.4 **No Waiver**. If at any time we do not exercise a right or power available to us under this Agreement or do not insist on your strict compliance with the terms of the Agreement, or if there develops a custom or practice which is at variance with the terms of this Agreement, we will not be deemed to have waived our right to demand exact compliance with any of the terms of this Agreement at a later time. Similarly, our waiver of any particular breach or series of breaches under this Agreement or of any similar term in any other agreement between the Company and any franchisee will not affect our rights with respect to any later breach. It will also not be deemed to be a waiver of any breach of this Agreement for us to accept payments which are due to us under this Agreement.

17.5 **Cumulative Remedies**. The rights and remedies specifically granted to either you or us by this Agreement will not be deemed to prohibit either of you or us from exercising any other right or remedy provided under this Agreement or permitted by law or equity.

17.6 **Specific Performance; Injunctive Relief**. Provided we give you the appropriate notice, we will be entitled, without being required to post a bond, to the entry of temporary and permanent injunctions and orders of specific performance (1) to enforce the provisions of this Agreement relating to your use of the Marks and your non-disclosure and non-competition obligations under this Agreement; (2) to prohibit any act or omission by you or your employees that constitutes a violation of any applicable law, ordinance or regulation, constitutes a danger to the public, or may impair the goodwill associated with the Marks or the Business; or (3) to prevent any other irreparable harm to our interests. If we obtain an injunction or order of specific performance, you agree to pay us an amount equal to the total of our costs of obtaining it, including, without limitation, reasonable attorneys' and expert witness fees, costs of investigation and proof of facts, court costs, other litigation expenses and travel and living expenses, and any damages we incur as a result of the breach of any such provision.

17.7 **Arbitration**. Except insofar as we elect to enforce this Agreement or any other related agreement, all controversies, disputes or claims arising between the Company, its affiliates, officers, directors, agents and employees (in their representative capacity) and Franchise Owner (and its Principal Owners) arising out of or related to:

(a) this Agreement or any provisions thereof or any related agreement (except for any sublease with any affiliates of the Company);

(b) the relationship of the parties hereto;

(c) the validity of this Agreement or any related agreement, or any provision thereof; or

(d) any specification, standard or operating procedure relating to the establishment or operation of the franchise shall be submitted for arbitration to be administered by the American Arbitration Association on demand of either party.

Such arbitration proceedings shall be conducted in the city in which our principal office is located and, except as otherwise provided in this Agreement, shall be conducted by one arbitrator in accordance with then current commercial arbitration rules of the American Arbitration Association. The arbitrator shall have no authority to select a different hearing locale. The arbitrator shall have the right to award or include in his award any relief which he deems proper in the circumstances, including without limitation, money damages (with interest on unpaid amounts from date due), specific performance, injunctive relief, attorneys' fees and costs. The award and decision of the arbitrator shall be conclusive and binding upon all parties to this Agreement, and judgment on the award may be entered in any court of competent jurisdiction. Each party waives any right to contest the validity or enforceability of such award. The parties agree to be bound by the provisions of any applicable limitation on the period of time in which claims must be brought. The parties further agree that in connection with any such arbitration proceeding each will file any compulsory counterclaim (as defined by Rule 13 of the Federal Rules of Civil Procedure) within 30 days of the date of the filing of the claim to which it relates. This provision will continue in full force and effect subsequent to and notwithstanding expiration or termination of this Agreement. The parties agree that arbitration shall be conducted on an individual, not a class-wide basis.

Notwithstanding our agreement to arbitrate, either party will have the right to seek temporary restraining orders and temporary or preliminary injunctive relief from a court of competent jurisdiction with respect to any dispute subject to arbitration; provided, however, that such party must contemporaneously submit the dispute for arbitration on the merits as provided in this Section.

17.8 **Jurisdiction and Venue**. Subject to the arbitration obligations in Sections 17.7, any judicial action must be brought in a court of competent jurisdiction in the state, and in (or closest to) the county, where our headquarters are then located. Each of the parties irrevocably submits to the jurisdiction of such courts and waives any objection to such jurisdiction or venue. Notwithstanding the foregoing, we may bring an action for a temporary restraining order or for temporary or preliminary injunctive relief, or to enforce an arbitration award or judicial decision, in any federal or state court in the county in which you reside or the Business is located.

17.9 **Governing Law**. Except to the extent governed by the United States Trademark Act of 1946, this Agreement shall be governed by and interpreted and construed under Texas law (except for Texas conflict of law rules); provided, however, that the laws of the state in which the Business is located shall govern the interpretation and enforcement of the non-competition covenants contained in Sections 8.4 and 16.5 of this Agreement. Nothing in this Section 17.9 is intended by the parties to subject this Agreement to (i) any franchise or similar law, rule or regulation of the State of Texas or of any other state to which it would not otherwise be subject or (ii) any laws of the State of Texas which would affect the enforceability of Section 17.18 to which it would not otherwise be subject.

17.10 **Waiver of Punitive Damages and Jury Trial**. The parties to this Agreement hereby waive to the fullest extent permitted by law any right to or claim for any punitive or exemplary damages against the other and agree that in the event of a dispute between them each shall be limited to the recovery, upon proof, of actual damages. The parties irrevocably waive trial by jury on any action, proceeding or counterclaim, whether at law or equity, brought by either of them.

17.11 **Binding Effect**. This Agreement is binding on and will inure to the benefit of our successors and assigns and will be binding on and inure to the benefit of your successors and assigns, and if you are an individual, on and to your heirs, executors and administrators.

17.12 **Entire Agreement**. This Agreement, together with the introduction and exhibits to it, constitutes the entire agreement between the parties concerning the subject matter of this Agreement, and there are no other oral or written understandings or agreements between the parties concerning the subject matter of this Agreement. This Agreement may be modified only by written agreement signed by both you and us. Nothing in this Agreement shall disclaim or require you to waive reliance on any representation that we made in the most recent disclosure document (including its exhibits and amendments) that we delivered to you or your representative.

17.13 **No Liability to Others; No Other Beneficiaries**. We will not, because of this Agreement or by virtue of any approvals, advice or services provided to you, be liable to any person or legal entity who is not a party to this Agreement, and no other party shall have any rights because of this Agreement.

17.14 **Construction**. All headings of the various sections and paragraphs of this Agreement are for convenience only and do not affect the meaning or construction of any provision. All references in this Agreement to masculine, neuter or singular usage will be construed to include the masculine, feminine, neuter or plural, wherever applicable. Except where this Agreement expressly obligates us to reasonably approve or not unreasonably withhold our approval of any of your actions or requests, we have the absolute right to refuse any request by you or to withhold our approval of any action or omission by you. The term "affiliate" as used in this Agreement is applicable to any company directly or indirectly owned or controlled by us that sells products or otherwise transacts business with you.

17.15 **Joint and Several Liability**. If two or more persons are the Franchisee under this Agreement, their obligation and liability to us shall be joint and several.

17.16 **Multiple Originals**. This Agreement will be executed using multiple copies, each of which will be deemed an original.

17.17 **Timing Is Important**. Time is of the essence of this Agreement. ("Time is of the essence" is a legal term that emphasizes the strictness of time limits. In this case, it means it will be a material breach of this Agreement to fail to perform any obligation within the time required or permitted by this Agreement.)

17.18 **Limitation**. The parties agree that, except as provided below, no mediation or arbitration proceeding, action or suit (whether by way of claim, counterclaim, cross-complaint, raised as an affirmative defense or otherwise) by either party will lie against the other (nor will any action or suit by Franchisee against any person and/or entity affiliated with Company), whether for damages, rescission, injunctive or any other legal and/or equitable relief, in respect of any alleged breach of this Agreement, or any other claim of any type, unless such party will have commenced such mediation or arbitration proceeding, action or suit before the expiration of two (2) years and a day after the cause of action has accrued.

(a) Notwithstanding the foregoing limitations, where any federal, state or provincial law provides for a shorter limitation period than above described, whether upon notice or otherwise, such shorter period will govern.

(b) The foregoing limitations may, where brought into effect by our failure to commence an action within the time periods specified, operate to exclude our right to sue for damages but will in no case, even upon expiration or lapse of the periods specified or referenced above, operate to prevent us from terminating your rights and our obligations under this Agreement as provided herein and under applicable law nor prevent us from obtaining any appropriate court judgment, order or otherwise which enforces and/or is otherwise consistent with such termination.

(c) The foregoing limitations shall not apply to our claims arising from or related to: (1) your under-reporting of Gross Sales; (2) your under-payment or non-payment of any amounts owed to us or any affiliated or otherwise related entity; (3) indemnification by you; (4) your confidentiality, non-competition or other exclusive relationship obligations; and/or (5) your unauthorized use of the Marks.

(d) In no way limiting Section 17.1, if any lawful requirement or court order of any jurisdiction makes any provision of this Section 17.18 invalid, void or unenforceable, such provision shall be modified in order to make the modified provision enforceable to the greatest extent possible. The parties agree to be bound by the modified provision to the greatest extent lawfully permitted.

17.19 **Independent Provisions**. The provisions of this Agreement are deemed to be severable. In other words, the parties agree that each provision of this Agreement will be construed as independent of any other provision of this Agreement.

17.20 **Release**. By executing this Agreement, Franchise Owner, for itself and its affiliates, and for its and its affiliates' directors, officers, shareholders, partners, members, managers, employees and agents, and for the predecessors, successors, assigns, heirs, administrators and executors of it and any and all of them (collectively, the "Franchise Owner Parties"), hereby release, remise, acquit, and forever discharge Company, its affiliates, its and its affiliates' directors, officers, shareholders, partners, members, managers, employees and agents, and the predecessors, successors, assigns, heirs, administrators and executors of it and any or all of them (collectively, the "Company Parties"), from and against any and all obligations, debts, liabilities, demands, claims, actions, causes of action, loss, losses, damage and damages (actual, consequential, multiplied, exemplary, enhanced, punitive, or otherwise), of any nature or kind, contingent or fixed, known or unknown, at law or in equity or otherwise, for any matter, of whatever source or origin, arising out of or related to any and all transactions of any kind or character, at any time prior to and including the Agreement Date, including, but not limited to, any and all claims arising under the franchise, securities or antitrust laws of the United States or of any state, province or territory thereof. Franchise Owner covenants, warrants, and agrees that it has the authority to bind the Franchise Owner Parties (as herein defined) as provided herein. Franchise Owner, on behalf of itself and the Franchise Owner Parties, further covenants not to sue any of the Company Parties on any of the claims released by the foregoing and represents that it has not assigned any such claims to any individual or entity who is not bound by the foregoing.

18. **NOTICES AND PAYMENTS**.

All written notices, reports and payments permitted or required under this Agreement will be deemed delivered at the time of delivery by express courier or messenger service, 1 business day after sending by facsimile transmission or comparable electronic system and 3 business days after placed in the United States Mail by Registered or Certified Mail, Return Receipt Requested, postage prepaid and addressed to the party to be notified or paid at its most current principal business address of which the notifying party has been advised, or to any other place designated by either party. Any required notice, payment or report which we do not actually receive during regular business hours on the date due (or postmarked by postal authorities at least 2 days before it is due) will be deemed delinquent.

19. **ACKNOWLEDGMENTS**

19.1 **Receipt of FDD and Complete Agreement**. You acknowledge that you received the disclosure document required by the Trade Regulation Rule of the Federal Trade Commission entitled "Disclosure Requirements and Prohibitions Concerning Franchising", otherwise known as the Franchise Disclosure Document ("FDD"), at least fourteen (14) calendar days prior to the date on which this Agreement was executed or any payment was made by you for the franchise rights granted under this Agreement. You further acknowledge that prior to receiving our FDD, we advised you of the formats in which the FDD is made available, and any conditions necessary for reviewing the FDD in a particular format.

19.2 **<u>You Read the Agreement and Consulted</u>**. You acknowledge that you have read and understood our FDD and this Agreement, the attachments hereto, and agreements relating thereto, if any, and that we have accorded you ample time and opportunity to consult with advisors of your own choosing about the potential benefits and risks of entering into this Agreement.

19.3 **<u>Your Responsibility for Operation of Business</u>**. Although we retain the right to establish and periodically modify System standards, which you have agreed to maintain in the operation of the Business, you retain the right and sole responsibility for the day-to-day management and operation of the Business and the implementation and maintenance of System standards. You acknowledges that you are solely responsible for all aspects of the Businesses' operations, including employee and human resources matters. You further acknowledge that any controls implemented by us are for the protection of the System and the Marks and not to exercise any control over the day-to-day operation of the Business.

19.4 **<u>Sole and Exclusive Employer of Your Employees</u>**.

(a) You hereby irrevocably affirm, attest and covenant your understanding that your employees are employed exclusively by you and in no fashion are any such employees employed, jointly employed or co-employed by us. You further affirm and attest that each of your employees is under your exclusive dominion and control and never under our direct or indirect control in any fashion whatsoever. You alone hire each of your employees; set their schedules; establish their compensation rates; and pay all salaries, benefits and employment-related liabilities (such as workers' compensation insurance premiums/payroll taxes/Social Security contributions/unemployment insurance premiums). You alone have the ability to discipline or terminate your employees to the exclusion of us, and you acknowledge that we have no such authority or ability. You further attest and affirm that any minimum staffing requirements established by us are solely for the purpose of ensuring that the Business is at all times staffed at those levels necessary to operate the Business in conformity with the System and the products, services, standards of quality and efficiency, and other Fajita Pete's brand attributes known to and desired by the consuming public and associated with the Marks. You affirm, warrant and understand that you may staff the Business with as many employees as you desire at any time so long as our minimal staffing levels are achieved. You also affirm and attest that any recommendations you may receive from us regarding salaries, hourly wages or other compensation for employees are recommendations only, designed to assist you to efficiently operate your Business, and that you are entirely free to disregard our recommendations regarding such employee compensation. Moreover, you affirm and attest that any training provided by us for your employees is geared to impart to those employees, with your ultimate authority, the various procedures, protocols, systems and operations of a Fajita Pete's Business and in no fashion reflects any employment relationship between us and such employees. Finally, should it ever be asserted that we are the employer, joint employer or co-employer of any of your employees in any private or government investigation, action, proceeding, arbitration or other setting, you irrevocably agree to assist us in defending said allegation, including (if necessary) appearing at any venue requested by us to testify on our behalf (and, as may be necessary, submitting yourself to depositions, other appearances and/or preparing affidavits dismissive of any allegation that we are the employer, joint employer or co-employer of any of your employees). To the extent we are the only named party in any such investigation, action, proceeding, arbitration or other setting to the exclusion of you, should any such appearance by you be required or requested by us, we will recompense you the reasonable costs associated with your appearing at any such venue.

(b) Immediately upon their hire, you shall obtain from each and every management personnel, staff and any other personnel hired at the Business the Non-Disclosure and Non-Compete Agreement, which form shall be in substantially the same form attached hereto as Exhibit E.

19.5 **Different Franchise Offerings to Others**. You acknowledge and agree that we may modify the offer of our franchise to other franchisees 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.

19.6 **Success Depends on You**. You acknowledge that the success of the business venture contemplated under this Agreement is speculative and depends, to a large extent, upon your ability as an independent businessperson, your active participation in the daily affairs of the business, market conditions, area competition, availability of product, quality of services provided, as well as other factors. We do not make any representation or warranty, express or implied, as to the potential success of the business venture contemplated hereby.

19.7 **Good Faith**. We and you acknowledge that each provision in this Agreement has been negotiated by the parties hereto in good faith and the Agreement shall be deemed to have been drafted by both parties. It is further acknowledged that both parties intend to enforce every provision of this Agreement, including, without limitation, the provisions related to arbitration and choice of venue, regardless of any state law or regulation purporting to void or nullify any such provision.

19.8 **Patriot Act**. You represent and warrant that to your actual knowledge: (i) neither you, nor your officers, directors, managers, members, partners or other individual who manages the affairs of you, nor any affiliate or related party, or any funding source for the Business, is identified on the lists of Blocked Persons, Specially Designated Nationals, Specially Designated Terrorists, Specially Designated Global Terrorists, Foreign Terrorists Organizations, and Specially Designated Narcotics Traffickers at the United States Department of Treasury's Office of Foreign Assets Control (OFAC), or the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001, commonly known as the "USA Patriot Act," as such lists may be amended from time to time (collectively, "**Blocked Person(s)**"); (ii) neither you nor any affiliate or related party is directly or indirectly owned or controlled by the government of any country that is subject to an embargo imposed by the United States government; (iii) neither you nor any affiliate or related party is acting on behalf of the government of, or is involved in business arrangements or other transactions with, any country that is subject to such an embargo; (iv) neither you nor any affiliate or related party are on the United States Department of Commerce Denied Persons, Entity and Unverified Lists, or the United States Departments of State's Debarred List, as such lists may be amended from time to time (collectively, the "**Lists**");

(v) neither you nor any affiliate or related party, during the term of this Agreement, will be on any of the Lists or identified as a Blocked Person; and (vi) during the term of this Agreement, neither you nor any affiliate or related party will sell products, goods or services to, or otherwise enter into a business arrangement with, any person or entity on any of the Lists or identified as a Blocked Person. You agree to notify us in writing immediately upon the occurrence of any act or event that would render any of these representations incorrect.

[SIGNATURE PAGE FOLLOWS]

FAJITA PETE'S FRANCHISING LLC
FRANCHISE AGREEMENT
SIGNATURE PAGE

IN WITNESS WHEREOF, the parties have executed this Agreement in multiple counterparts to be effective as of the Agreement Date.

COMPANY: **FAJITA PETE'S FRANCHISING LLC**	**FRANCHISE OWNER:** ______________________________
By:________________________ Name:______________________ Title:_______________________	By:________________________ Name:______________________ Title:_______________________
Address for Notices:	Address for Notices:
Joseph Eguia Fajita Pete's Franchising LLC 6719 Weslayan Street Houston, Texas 77005 Telephone: (281) 800-7774 Fax: (___) ____________	______________________________ ______________________________ ______________________________ Telephone:____________________ Fax:__________________________ Attn:________________________

With copy to:

Wayne P. Bunch, Jr., Esq.
Pierson Ferdinand, LLP
5850 San Felipe, Suite 500
Houston, Texas 77057
Telephone: (713) 955-4080
Fax: (940) 241-9482

FAJITA PETE'S FRANCHISING LLC
FRANCHISE AGREEMENT
EXHIBIT A
PRINCIPAL OWNER'S GUARANTY

In consideration of, and as an inducement to, the execution of the foregoing Franchise Agreement (the "Agreement") by Fajita Pete's Franchising LLC ("us"), each of the Principal Owners ("you," for purposes of this Guaranty only) signing this document hereby personally and unconditionally (1) guarantees to us and our successors and assigns that the Franchise Owner will punctually pay and perform each and every undertaking, agreement and covenant set forth in the Agreement; and (2) agrees to be personally bound by, and personally liable for the breach of, each and every provision in the Agreement, including, without limitation, the non-competition provisions of Sections 8.4 and 16.5 of the Agreement and the arbitration, jurisdiction and venue provisions of Sections 17.7 and 17.8 of the Agreement.

Each of you waives:

(a) protest and notice of default, demand for payment or nonperformance of any obligations guaranteed by this Guaranty;

(b) any right you may have to require that an action be brought against Franchisee or any other person as a condition of your liability; and

(c) any and all other notices and legal or equitable defenses to which you may be entitled in your capacity as guarantor.

Each of you consents and agrees that:

(a) your direct and immediate liability under this Guaranty shall be joint and several;

(b) you will make any payment or render any performance required under the Agreement on demand if Franchise Owner fails or refuses to do so when required;

(c) your liability will not be contingent or conditioned on our pursuit of any remedies against Franchise Owner or any other person;

(d) your liability will not be diminished, relieved or otherwise affected by any extension of time, credit or other indulgence which we may from time to time grant to Franchise Owner or to any other person, including without limitation, the acceptance of any partial payment or performance, or the compromise or release of any claims; and

(e) this Guaranty will continue and be irrevocable during the term of the Agreement and if required by the Agreement, after its termination or expiration.

[SIGNATURE PAGE FOLLOWS]

This Guaranty is now executed as of the Agreement Date.

PRINCIPAL OWNERS:

____

____

____

FAJITA PETE'S FRANCHISING LLC
FRANCHISE AGREEMENT
EXHIBIT B

SITE SELECTION AREA

The Site Selection Area referred to in Section 2.3 of the Franchise Agreement shall be:

PREMISES

The Premises referred to in Section 2.1 of the Franchise Agreement shall be:

MARKET AREA

The Market Area referred to in Section 2.4 of the Franchise Agreement shall be:

COMPANY: **FAJITA PETE'S FRANCHISING LLC**	**FRANCHISE OWNER:** ______________________________
By:__________________________ Name:________________________ Title:_________________________	By:__________________________ Name:________________________ Title:_________________________

FAJITA PETE'S FRANCHISING LLC
FRANCHISE AGREEMENT
EXHIBIT C
PRINCIPAL OWNERS INTERESTS IN FRANCHISE OWNER

Name of Principal Owner	Address, Telephone, E-mail	Interest (%) with Description

DESIGNATED PRINCIPAL OWNER

Name of Designated Principal Owner	Address, Telephone, E-mail	Interest (%) with Description

COMPANY:
FAJITA PETE'S FRANCHISING LLC

By:__________________________________
Name:_______________________________
Title:________________________________

FRANCHISE OWNER:
____

By:__________________________________
Name:_______________________________
Title:________________________________

FAJITA PETE'S FRANCHISING LLC
FRANCHISE AGREEMENT
EXHIBIT D
AUTHORIZATION AGREEMENT FOR PREARRANGED PAYMENTS

As part of the "Franchise Agreement" with Fajita Pete's Franchising LLC (the "Franchisor"), the "Franchisee" understands that it is required to submit weekly detailed Sales Reports for processing and payment of Royalty Fees and Marketing Fees. The Franchisee also understands that all Royalty Fees, Marketing Fees, and all other fees and payments due under the Franchise Agreement will be debited from the bank account listed below on a weekly basis.

Royalty Fees and Marketing Fees will be processed by Electronic Funds Transfer ("EFT") using the Automated Clearing House ("ACH") method. The EFT/ACH debit will move funds directly from Franchisee's account into certain Franchisor accounts. Debits that result in insufficient funds will result in late fee penalties, and reimbursement of any fees incurred by Franchisor.

The Franchisee hereby authorizes its bank to pay and charge to its account EFT/ACH debits and drafts drawn by and payable to the order of the Franchisor at the Royalty Fee and Marketing Fee rates under the Franchise Agreement, provided there are sufficient collected funds in said account to pay same. This authorization remains in full force and effective until sixty (60) days after the Franchisor has received written notification from the Franchisee of its termination. Should the bank dishonor any draft or EFT/ACH debit with or without cause, the Franchisee releases the bank from any and all liability.

Franchisee:____
Principal Owner:____________________________________
Address:____
City, State, and Zip:__________________________________

Please provide two E-mail addresses for Draft Notices

E-mail:________________________ E-mail:________________________

Please sign the acknowledgement below and return original via mail along with a VOIDED check sent to the attention of: Pedro Mora, Fajita Pete's, 6719 Weslayan Street, Houston, Texas 77005.

________________	________________	________________
Financial Institution	Routing Number	Account Number

Signature of Authorized Signer:____________________ Date:________________

Please Attach Actual VOIDED CHECK

FAJITA PETE'S FRANCHISING LLC
FRANCHISE AGREEMENT
EXHIBIT E
NON-DISCLOSURE AND NON-COMPETE FOR FRANCHISEE'S EMPLOYEES

THIS NON-DISCLOSURE AND NON-COMPETITION AGREEMENT ("Agreement") is made this _____ day of _________, 20___, by and between ____________ ("**us**" "**we**" "**our**" or the "**Franchisee**"), and ____________________________, an employee of Franchisee ("**you**" or the "**Employee**").

Introduction

Fajita Pete's Franchising LLC (the "**Franchisor**") and its affiliates developed and own a format and system (the "**System**") for the establishment and operation of a restaurant and catering business featuring home delivery of fajitas and other Tex-Mex dishes, along with related products and services under the name "Fajita Pete's" (each is referred to as a "**Fajita Pete's Business**").

Franchisor and Franchisee have executed a Franchise Agreement ("**Franchise Agreement**") granting Franchisee the right to operate a Fajita Pete's Business (the "**Franchised Business**") under the terms and conditions of the Franchise Agreement.

In connection with starting or continuing your employment with Franchisee, you will be trained by us and you will learn of Franchisor's confidential information and know-how concerning the methods of operation of a Fajita Pete's Business and the System.

Now, therefore, it is agreed that as a consideration of starting or continuing your employment, as a condition to your employment and the compensation that we have paid to you (and/or will pay you after today), you acknowledge and agree that you will comply with all of the following obligations:

1. **Confidential Information**. You agree that you will not, at any time (whether during or after your time of employment with us), communicate or divulge Confidential Information to any Person, and that you will not use Confidential Information for your own benefit or for the benefit of any other Person.

2. **Definitions**. As used in this Agreement, the following terms are agreed to have the following meanings:

a. The term "**Confidential Information**" means any information, knowledge, or know-how concerning the methods of operation of the Franchised Business and the System that you may learn of or that otherwise becomes known to you during the time of your employment with us (whether or not the Franchisor or we have specifically designated that information as "confidential"). Confidential Information may include, among other things, operational, sales, promotional, marketing, and administrative methods, procedures, and techniques. However, Confidential Information does not include information that you can show came to your attention before it was disclosed to you by us or Franchisor; and Confidential Information also does not include information that, at or after the time when we disclosed it to you, is a part of the public domain through no act on your part or through publication or communication by other Persons who are lawfully entitled to publish or communicate that information.

b. The term "**Person**" means any person, persons, partnership, entity, association, or corporation (other than the Company or Franchisor).

c. The term "**Post-Term Period**" means a continuous uninterrupted period of (check as applicable) ☐ one (1) year if you are a manager or perform managerial responsibilities, or ☐ six (6) months if you are a non-managerial employee, from the date of: (a) termination of your employment with us for any reason; and/or (b) a final order of a court of competent jurisdiction enforcing this Agreement.

3. Covenants Not to Compete.

a. You understand and acknowledge that due to your employment with us, you will receive valuable specialized training and access to Confidential Information.

b. You covenant and agree that during the term of your employment, unless Franchisor gives you its prior written approval, you shall not, either directly or indirectly, for yourself, or through, on behalf of, or in conjunction with any Person:

i. Divert or attempt to divert any current or potential business account or customer of the Franchised Business (or of any Fajita Pete's Business) to any Person, whether by direct or indirect suggestion, referral, inducement, or otherwise;

ii. Do or perform, directly or indirectly, any act that might injure or be harmful to the goodwill associated with Franchisor and the System; and/or

iii. Directly or indirectly for yourself or on behalf of, or in conjunction with any Person, own, maintain, operate, engage in, be employed by, or have any interest in any business that is the same as or similar to the Franchised Business.

c. You covenant and agree that during the term Post-Term Period, unless Franchisor gives you its prior written approval, you shall not, either directly or indirectly, for yourself, or through, on behalf of, or in conjunction with any Person, own, maintain, operate, engage in, be employed by, or have any interest in any business that is the same as or similar to the Franchised Business, if that business is located (or if it is intended to be located) within a radius of twenty-five (25) miles of any Fajita Pete's Business located anywhere at that time.

4. Acknowledgement. You acknowledge that you are an employee of us as the Franchisee and independent owner of a Fajita Pete's Business franchise, and you are not an employee of Franchisor. You further acknowledge that (i) one of our key roles and responsibilities is to properly train our employees; (ii) neither the training program that you attend or any other training or direction you receive, nor any recommendations, guidelines or suggestions received from

Franchisor or its representatives in any way modifies our training obligations or is intended to exert or exercise any direct, indirect or potential control over our employees, our training obligations or any aspect of our employment relationship with you or any other employees. The training program that you attend or any other training or direction you receive is not intended in any way to change or modify your employment relationship with us. Franchisor is not an employer or joint employer of any of our employees.

5. **Legal and Equitable Remedies**. You understand, acknowledge, and agree that if you do not comply with the requirements of this Agreement, you will cause irreparable injury to Franchisor, and that:

a. We will have the right to enforce this Agreement and any of its provisions by going to a court and obtaining an injunction, specific performance, or other equitable relief, without prejudice to any other rights and remedies that we may have for breach of this Agreement;

b. You will not raise wrongful termination or other defenses to the enforcement of this Agreement (although you will have the right to raise those issues in a separate legal action); and

c. You must reimburse Franchisor for any court costs and reasonable attorney's fees that Franchisor incurs as a result of your violation of this Agreement and having to go to court to seek enforcement.

6. **Severability**. Each of the provisions of this Agreement may be considered severable from the others. If a court should find that we or Franchisor may not enforce a clause in this Agreement as written, but the court would allow us or Franchisor to enforce that clause in a way that is less burdensome to you, then you agree that you will comply with the court's less-restrictive interpretation of that clause.

7. **Delay**. No delay or failure by us or Franchisor to exercise any right under this Agreement, and no partial or single exercise of that right, shall constitute a waiver of that right or any other right set out in this Agreement. No waiver of any violation of any terms and provisions of this Agreement shall be construed as a waiver of any succeeding violation of the same or any other provision of this Agreement.

8. **Third-Party Beneficiary.** You acknowledge and agree that Franchisor is an intended third-party beneficiary of this Agreement with the right to enforce it, independently or jointly with us.

9. **Jurisdiction; Applicable Law**. You agree that any lawsuit brought by Franchisor to enforce its rights under this Agreement shall be brought in the courts of the county where Franchisor has its then current principal place of business, and you agree and consent to the jurisdiction of such court to resolve all disputes which arise out of this Agreement or any alleged breach thereof, regardless of your residency at the time such lawsuit is filed. This Agreement shall be governed by the laws of the State of Texas. In the event of any conflict of law, the laws of Texas shall prevail, without regard to, and without giving effect to, the application of Texas conflict of law rules.

IN WITNESS WHEREOF, Employee has read and understands the terms of this Agreement, and voluntarily signed this Agreement on the date first written above.

EMPLOYEE

Signature:____________________________

Printed Name:_________________________

FAJITA PETE'S FRANCHISING LLC
FRANCHISE AGREEMENT
EXHIBIT F
OPTION FOR ASSIGNMENT OF LEASE

This Option for Assignment of Lease (this "**Assignment**") made this _____day of _____________, 20___ by and between Fajita Pete's Franchising LLC, a Texas limited liability company, located at 6719 Weslayan Street, Houston, Texas 77005 (the "**Company**"), ______________________________ ("**Franchisee**") and ____________________("**Landlord**") involving the Fajita Pete's Business ("**Business**") to be located at _____________________________ ("**Franchise Location**"), with reference to the following facts:

On _________, 20___, Franchisee and Landlord entered into a lease agreement ("**Lease**"), a fully executed copy of which is to be attached hereto as Exhibit A, pursuant to the terms of which Franchisee leased the Franchise Location from Landlord to operate the Business thereon.

On _________, 20___, the Company and Franchisee executed a Franchise Agreement (the "**Franchise Agreement**") pursuant to the terms of which Franchisee obtained a franchise from the Company to operate the Business at the Franchise Location.

The Company, Franchisee and Landlord desire to enter into this Assignment to define the rights of the Company in and to the Franchise Location, and Landlord desires to consent to this Assignment on the terms and conditions set forth herein. This Assignment shall be construed with, and as an integral part of, the Lease.

1. **Assignment**. Franchisee hereby assigns, transfers and conveys to the Company, or its nominee, all of Franchisee's right, title and interest in and to the Lease, without additional charge; however, this Assignment shall become effective only upon the Company's exercise of the option granted to the Company in Section 3 herein subsequent to the occurrence of any of the following events ("**Option Event(s)**"):

(a) **Default of Lease**. If Franchisee shall be in default in the performance of any of the terms of the Lease, unless such default is cured within the period required in the Lease or within ten (10) days following written demand given by the Company, whichever is sooner.

(b) **Default of Franchise Agreement**. The occurrence of any acts of default which would result in the immediate termination of the Franchise Agreement, or the continuance beyond the period or periods specified in the Franchise Agreement for cure of any default by Franchisee in the performance or payments required under the Franchise Agreement, or the expiration of the Franchise Agreement.

(c) **Sale of the Business**. Upon Franchisee's sale of Franchisee's right, title and interest in and to the Business conducted at the Franchise Location.

2. **Consent to Assignment**. Landlord hereby consents to this Assignment, which consent shall remain in effect during the entire term of the Lease and any and all renewals or extensions thereof, and agrees that the Lease shall not be amended, assigned, extended or renewed, nor shall the Franchise Location be sublet by Franchisee, without the prior written consent of the Company.

3. **Exercise of Option by the Company**. The Company may exercise the option granted herein for a period of thirty (30) days after any Option Event and thereby make this Assignment unconditional by giving written notice to Franchisee and Landlord of its exercise of such option in the manner specified in Section 8 hereof and by thereafter delivering to Landlord, within ten (10) business days after Landlord requests same, a written assumption of the obligations of the Lease.

In no event shall the Company be or become liable for any liability or obligation of Franchisee accruing or applicable to the period prior to the date of the Company signing a written assumption of the obligations of the Lease. All rents and other obligations under the Lease shall be prorated as of such date. The Company shall have no liability or obligation to the Landlord under the Lease unless and until it executes a written assumption of the obligations of the Lease.

The Company shall have the right, concurrently with or subsequent to the Company's exercise of the option granted herein, to assign and transfer its rights under this Assignment and the Lease to an entity owned or controlled by the Company, or to a new franchisee selected by the Company to operate the Business, without the prior consent of Landlord, provided that such new entity or franchisee shall have a credit rating and a net worth adequate for the operation of the Business. In such event, such new entity or franchisee shall assume the obligations of the Lease in place and instead of the Company.

Through the term of the Franchise Agreement and any renewals thereof, Franchisee agrees that it shall elect and exercise all options to extend the term of or renew the Lease not less than thirty (30) days prior to the last day that such option must be exercised. Upon failure of Franchisee to so extend or renew the Lease as stated herein, Franchisee hereby appoints the Company as its true and lawful attorney-in fact to exercise such extension or renewal options in the name, place and stead of Franchisee for the sole purpose of effecting such extension or renewal.

4. **Termination of Rights of Franchisee**. Upon the exercise of the option granted to the Company herein, Franchisee shall no longer be entitled to the use or occupancy of the Franchise Location and all of Franchisee's prior rights in and to the Lease will have been, in all respects, terminated and, by the terms of this Assignment, assigned to the Company or its assignee.

5. **Vacate Franchise Location**. Franchisee shall immediately vacate the Franchise Location within the period permitted by the Lease; however, in the event that Franchisee shall fail or refuse to do so, the Company shall have the right to enter the Franchise Location and take possession of the Franchise Location without being guilty of trespass or any other tort.

6. **Indemnification**. Franchisee hereby covenants and agrees to indemnify and hold Landlord and the Company harmless from and against any and all loss, costs, expenses (including attorneys' fees), damages, claims and liabilities, however caused, resulting directly or indirectly from or pertaining to the exercise by the Company and/or Landlord of the rights and remedies granted under this Assignment.

7. **Remedies Cumulative**. The remedies granted pursuant to this Assignment are in addition to and not in substitution of any or all other remedies available at law or in equity to the Company or Landlord.

8. **Notices**.

(a) **Writing**. All notices, requests, demands, payments, consents and other communications hereunder shall be transmitted in writing and shall be deemed to have been duly given when sent by registered or certified United States mail, postage prepaid, addressed as follows:

The Company:	6719 Weslayan Street Houston, Texas 77005
With a copy to:	Wayne P. Bunch, Jr., Esq. Pierson Ferdinand, LLP 5850 San Felipe, Suite 500 Houston, Texas 77057
Franchisee:	_________________________ _________________________
Landlord:	_________________________ _________________________

(b) **Change of Address**. Any party may change its address by giving notice of such change of address to the other parties.

(c) **Mailed Notice**. Mailed notices shall be deemed communicated within three (3) days from the time of mailing if mailed as provided in this Section 8.

9. **Franchisee Default of Lease; Failure of Company to Exercise Option**. In the event of a default by Franchisee under the Lease, and Franchisor's subsequent failure to exercise its option of assignment provided for herein, Landlord acknowledges an affirmative duty to mitigate damages as required by applicable law. Further, in such event, notwithstanding any provision to the contrary in the Lease, Landlord and Franchisee agree that Franchisee's liability upon default shall not exceed the lesser of $40,000.00, nine (9) months minimum rent, or the remainder due pursuant to the Lease. In the event of termination of the Lease for any reason, Franchisee shall be permitted access to the Franchise Location (for a period not to exceed seven

(7) days following termination) to remove any and all logo or trademark items. Such items shall include, but shall not be limited to, signage and proprietary trade dress. Franchisee shall be liable to Landlord for repairs to the Franchise Location, made necessary by Franchisee's removal of such signs and other items. This provision shall expressly survive termination of the Lease.

10. **Miscellaneous**.

(a) **Injunction**. Franchisee and Landlord recognize the unique value and secondary meaning attached to the Company's trademarks, trade names, service marks, insignia and logo designs and the Franchise Location displaying same and agree that any noncompliance with the terms of this Assignment will cause irreparable damage to the Company and its franchisees. Franchisee and Landlord therefore agree that in the event of any noncompliance with the terms of this Assignment, the Company shall be entitled to seek both permanent and temporary injunctive relief from any court of competent jurisdiction in addition to any other remedies prescribed by law.

(b) **Further Acts**. The parties agree to execute such other documents and perform such further acts as may be necessary or desirable to carry out the purposes of this Assignment.

(c) **Heirs and Successors**. This Assignment shall be binding upon and inure to the benefit of the parties, their heirs, successors and assigns.

(d) **Entire Agreement**. This Assignment represents the entire understanding between the parties concerning the assignment of the Lease and supersedes all other negotiations, agreements, representations or covenants, oral or written, except any other agreement executed by the Company, Landlord and Franchisee in connection herewith. This Assignment may not be modified except by a written instrument signed by the party to be charged. The parties intend this Assignment to be the entire integration of all of their agreements in connection herewith. No other agreements, representations, promises, commitments or the like, of any nature, exist between the parties, except as set forth or otherwise referenced herein.

(e) **Waiver**. Failure by any party to enforce any rights under this Assignment shall not be construed as a waiver of such rights. Any waiver, including waiver of default, in any one (1) instance shall not constitute a continuing waiver or a waiver in any other instance.

(f) **Validity**. Any invalidity of any portion of this Assignment shall not affect the validity of the remaining portion and unless substantial performance of this Assignment is frustrated by any such invalidity, this Assignment shall continue in full force and effect.

(g) **Execution by the Company**. This Assignment shall not be binding on the Company unless and until it shall have been accepted and signed by an authorized officer of the Company.

(h) **Conflict of Provisions**. In the event of any conflict between a provision of this Assignment on the one hand, and a provision of the Lease on the other hand, the provision set forth in this Assignment shall control.

(i) **Attorneys' Fees**. If any party commences an action against any other party arising out of or in connection with this Assignment, the prevailing party shall be entitled to have and recover from the other party its reasonable attorneys' fees and costs of suit, including costs and fees on appeal.

11. **Governing Law**. This Assignment shall be governed by and construed in accordance with the laws of the State of Texas; however, if this Assignment concerns a Business located in a state other than Texas and the laws of that state require terms other than those or in addition to those contained herein, then this Assignment shall be deemed modified so as to comply with the appropriate laws of such state, but only to the extent necessary to prevent the invalidity of this Assignment or any provision hereof, the imposition of fines or penalties, or the creation of civil or criminal liability on account thereof. Any provision of this Assignment which may be determined by competent authority to be prohibited or unenforceable in any jurisdiction shall, as to that jurisdiction, be ineffective to the extent of the prohibition or unenforceability without invalidating the remaining provisions of this Assignment. Any prohibition against or unenforceability of any provision of this Assignment in any jurisdiction shall not invalidate the provision or render it unenforceable in any other jurisdiction. To the extent permitted by law, Franchisee and Landlord waive any provision of law which renders any provision of this Assignment prohibited or unenforceable in any respect. Any litigation arising out of or related to this Assignment, or any breach thereof, shall be instituted in a court of competent jurisdiction in the County of Harris, State of Texas.

IN WITNESS WHEREOF, the parties hereto have duly executed and delivered this Assignment on the day and year first above written.

THE COMPANY: **FAJITA PETE'S FRANCHISING LLC**

By:____________________________
Name:__________________________
Title:___________________________

LANDLORD: _______________________________

By:____________________________
Name:__________________________
Title:___________________________

FRANCHISEE: _______________________________

By:____________________________
Name:__________________________
Title:___________________________

FAJITA PETE'S FRANCHISING LLC
FRANCHISE AGREEMENT
EXHIBIT G
FRANCHISEE DISCLOSURE ACKNOWLEDGMENT STATEMENT

As you know, Fajita Pete's Franchising LLC (the "Franchisor") and you are preparing to enter into a franchise agreement (the "Franchise Agreement") for the establishment and operation of a "Fajita Pete's Business." The purpose of this Questionnaire is to determine whether any statements or promises were made to you by employees or authorized representatives of the Franchisor, or by employees or authorized representatives of a broker acting on behalf of the Franchisor ("Broker") that have not been authorized, or that were not disclosed in the Franchise Disclosure Document or that may be untrue, inaccurate or misleading. The Franchisor, through the use of this document, desires to ascertain (a) that the undersigned, individually and as a representative of any legal entity established to acquire the franchise rights, fully understands and comprehends that the purchase of a franchise is a business decision, complete with its associated risks, and (b) that you are not relying upon any oral statement, representations, promises or assurances during the negotiations for the purchase of the franchise which have not been authorized by Franchisor.

In the event that you are intending to purchase an existing Fajita Pete's Business from an existing Franchisee, you may have received information from the transferring Franchisee, who is not an employee or representative of the Franchisor. The questions below do not apply to any communications that you had with the transferring Franchisee. Please review each of the following questions and statements carefully and provide honest and complete responses to each.

1. Are you seeking to enter into the Franchise Agreement in connection with a purchase or transfer of an existing Fajita Pete's Business from an existing Franchisee?

Yes _____ No _____

2. Have you received and personally reviewed the Franchise Agreement, each addendum, and/or related agreement provided to you?

Yes _____ No _____

3. Do you understand all of the information contained in the Franchise Agreement, each addendum, and/or related agreement provided to you?

Yes _____ No _____

If no, what parts of the Franchise Agreement, any Addendum, and/or related agreement do you not understand? (Attach additional pages, if necessary.)

____
____
____
____

4. Have you received and personally reviewed the Franchisor's Franchise Disclosure Document ("Disclosure Document") that was provided to you?

Yes _____ No _____

5. Did you sign a receipt for the Disclosure Document indicating the date you received it?

Yes _____ No _____

6. Do you understand all of the information contained in the Disclosure Document and any state-specific Addendum to the Disclosure Document?

Yes _____ No _____

If No, what parts of the Disclosure Document and/or Addendum do you not understand? (Attach additional pages, if necessary.)

____
____
____
____
____
____

7. Have you discussed the benefits and risks of establishing and operating a Fajita Pete's Business with an attorney, accountant, or other professional advisor?

Yes _____ No _____

If No, do you wish to have more time to do so?

Yes _____ No _____

8. Do you understand that the success or failure of your Fajita Pete's Business will depend in large part upon your skills and abilities, competition from other businesses, interest rates, inflation, labor and supply costs, location, lease terms, your management capabilities and other economic, and business factors?

Yes _____ No _____

9. Has any employee of a Broker or other person speaking on behalf of the Franchisor made any statement or promise concerning the actual or potential revenues, profits or operating costs of any particular Fajita Pete's Business operated by the Franchisor or its franchisees (or of

any group of such businesses), that is contrary to or different from the information contained in the Disclosure Document?

Yes _____ No _____

10. Has any employee of a Broker or other person speaking on behalf of the Franchisor made any statement or promise regarding the amount of money you may earn in operating a Fajita Pete's Business that is contrary to or different from the information contained in the Disclosure Document?

Yes _____ No _____

11. Has any employee of a Broker or other person speaking on behalf of the Franchisor made any statement or promise concerning the total amount of revenue a Fajita Pete's Business will generate, that is contrary to or different from the information contained in the Disclosure Document?

Yes _____ No _____

12. Has any employee of a Broker or other person speaking on behalf of the Franchisor made any statement or promise regarding the costs you may incur in operating a Fajita Pete's Business that is contrary to or different from the information contained in the Disclosure Document?

Yes _____ No _____

13. Has any employee of a Broker or other person speaking on behalf of the Franchisor made any statement or promise concerning the likelihood of success that you should or might expect to achieve from operating a Fajita Pete's Business?

Yes _____ No _____

14. Has any employee of a Broker or other person speaking on behalf of the Franchisor made any statement, promise or agreement concerning the advertising, marketing, training, support service or assistance that the Franchisor will furnish to you that is contrary to, or different from, the information contained in the Disclosure Document or franchise agreement?

Yes _____ No _____

15. Have you entered into any binding agreement with the Franchisor concerning the purchase of this franchise prior to today?

Yes _____ No _____

16. Have you paid any money to the Franchisor concerning the purchase of this franchise prior to today?

Yes _____ No _____

17. Have you spoken to any other franchisee(s) of this system before deciding to purchase this franchise? If so, who? ____

____

If you have answered No to question 8, or Yes to any one of questions 9-16, please provide a full explanation of each answer in the following blank lines. (Attach additional pages, if necessary, and refer to them below.) If you have answered Yes to question 8, and No to each of questions 9-16, please leave the following lines blank.

____
____
____
____

I signed the Franchise Agreement and Addendum (if any) on _______________, 20___, and acknowledge that no Agreement or Addendum is effective until signed and dated by the Franchisor.

The name of the sales person or salespersons that handled this franchise sale was:

____

Please understand that your responses to these questions are important to us and that we will rely on them. By signing this Questionnaire, you are representing that you have responded truthfully to the above questions. In addition, by signing this Questionnaire, you also acknowledge that:

A. You recognize and understand that business risks, which exist in connection with the purchase of any business, make the success or failure of the franchise subject to many variables, including among other things, your skills and abilities, the hours worked by you, competition, interest rates, the economy, inflation, franchise location, operation costs, lease terms and costs and the marketplace. You hereby acknowledge your awareness of and willingness to undertake these business risks.

B. You agree and state that the decision to enter into this business risk is in no manner predicated upon any oral representation, assurances, warranties, guarantees or promises made by Franchisor or any of its officers, employees or agents (including the Broker or any other broker) as to the likelihood of success of the franchise. Except as contained in the Disclosure Document, you acknowledge that you have not received any information from the Franchisor or any of its officers, employees or agents (including the Broker or any other broker) concerning actual, projected or forecasted franchise sales, profits or earnings. If you believe that you have received any information concerning actual, average, projected or forecasted franchise sales, profits or earnings other than those contained in the Disclosure Document, please describe those in the space provided below or write "None".

____
____
____

C. You further acknowledge that the President of the United States of America has issued Executive Order 13224 (the "Executive Order") prohibiting transactions with terrorists and terrorist organizations and that the United States government has adopted, and in the future may adopt, other anti-terrorism measures (the "Anti-Terrorism Measures"). The Franchisor therefore requires certain certifications that the parties with whom it deals are not directly involved in terrorism. For that reason, you hereby certify that neither you nor any of your employees, agents or representatives, nor any other person or entity associated with you, is:

(i) a person or entity listed in the Annex to the Executive Order;

(ii) a person or entity otherwise determined by the Executive Order to have committed acts of terrorism or to pose a significant risk of committing acts of terrorism;

(iii) a person or entity who assists, sponsors, or supports terrorists or acts of terrorism; or

(iv) owned or controlled by terrorists or sponsors of terrorism.

You further covenant that neither you nor any of your employees, agents or representatives, nor any other person or entity associated with you, will during the term of the Franchise Agreement become a person or entity described above or otherwise become a target of any Anti-Terrorism Measure.

Acknowledged this _____ day of ________________, 20____.

INDIVIDUAL	CORPORATION, LIMITED LIABILITY COMPANY OR PARTNERSHIP
______________________________ Signature Print Name:____________________	______________________________ Print Name of Legal Entity
______________________________ Signature Print Name:____________________	By:____________________ Print Name:____________________ Title:____________________

EXHIBIT C

AREA DEVELOPMENT AGREEMENT

FAJITA PETE'S FRANCHISING LLC

AREA DEVELOPMENT AGREEMENT

____

AREA DEVELOPER

____

DATE OF AGREEMENT

TABLE OF CONTENTS

SECTION **PAGE**

EXHIBITS

FAJITA PETE'S FRANCHISING LLC
AREA DEVELOPMENT AGREEMENT

This Development Agreement (this "Agreement") is being entered into as of ___________________________, 20___ (the "Agreement Date"). The parties to this Agreement are you, ____ (sometimes referred to as "Developer") and us, Fajita Pete's Franchising LLC, a Texas limited liability company, (sometimes referred to as "the Company").

1. **INTRODUCTION**. This Agreement is being presented to you because of the desire you have expressed to obtain the right to develop, own and be franchised to operate, Fajitas Pete's restaurant and catering businesses featuring home delivery of fajitas and other Tex-Mex dishes, along with related products and services (each a "Fajita Pete's Business"). Fajita Pete's Businesses operate under a system developed by us and our affiliates (the "System") and certain trademarks, service marks and other commercial symbols (the "Marks"). In signing this Agreement, you acknowledge your understanding of the importance of our high standards of quality and service and the necessity of operating your Fajita Pete's Businesses in strict conformity with our standards and specifications. You also acknowledge that you have conducted an independent investigation of the Fajita Pete's Business model contemplated by this Agreement and recognize that, like any other business, the nature of it may evolve and change over time, that an investment in Fajita Pete's Businesses involves business risks, and that the success of this business venture is primarily dependent on your business abilities and efforts. We expressly disclaim making, and you acknowledge that you have not received or relied on, any guarantee, express or implied, as to the revenues, profits, or likelihood of success of the Fajita Pete's Business venture contemplated by this Agreement. You acknowledge that there have been no representations by us or our officers, directors, shareholders, employees, or agents, that are inconsistent with the statements made in our franchise disclosure document or the provisions of this Agreement.

2. **GRANT OF DEVELOPMENT RIGHTS**. Subject to the provisions of this Agreement, we grant you the right to develop _______ Fajita Pete's Businesses (the "Businesses") within the geographical area described in Exhibit A to this Agreement (the "Development Area").

3. **RIGHTS IN DEVELOPMENT AREA**. Provided you are in full compliance with all the terms and conditions contained in this Agreement, including, without limitation, your development obligations contained in Section 4, and are in full compliance with all of your obligations under franchise agreements entered into between us and you, then during the term of this Agreement, we will not operate or grant a franchise for the operation of a Fajita Pete's Business to be located within the Development Area, except such franchises as are granted to you pursuant to this Agreement. Notwithstanding anything to the contrary in this Section 3, we retain the right to own, acquire, establish and/or operate and license others to establish and operate other retail or restaurant outlets or enter into other lines of businesses offering similar or dissimilar products or services under trademarks or service marks other than the Marks, and the right to own, acquire, establish and/or operate and license others to establish and operate Fajita Pete's Businesses at Non-Traditional Sites (as defined below) at any location within the Development Area. As used in this Agreement, "Non-Traditional Sites" shall mean outlets that

serve primarily the customers located within a facility, such as captive audience facilities (examples include, but are not limited to, parks charging admission, stadiums, amusement parks and centers, theaters and art centers), limited purpose facilities (examples include, but are not limited to, airports, transportation centers, department stores, in-door shopping centers or malls, business and industrial complexes, museums, educational facilities, hospitals, art centers, and recreational parks), limited access facilities (examples include, but are not limited to, military complexes, buyer club businesses, educational facilities, business and industrial complexes), and other types of institutional accounts.

4. **DEVELOPMENT OBLIGATIONS**. To maintain your rights under this Agreement, you must, by the dates set forth under the development schedule attached hereto as Exhibit B (the "Development Schedule"), have open and in operation your Businesses in accordance with the Development Schedule. Each Business will be operated under a separate franchise agreement with us. The franchise agreement for each such Business ("Franchise Agreement") will be our then current form of franchise agreement, which may be substantially different from the form of franchise agreement currently in use. However, the initial franchise fee payable pursuant to the Franchise Agreement will be $_____________ for each Business to be developed under this Agreement. You will have no right under this Agreement to license or sublicense others to operate Businesses or use the System or the Marks.

5. **DEVELOPMENT FEE**. As consideration for the rights granted under this Agreement, simultaneously with the execution of this Agreement, you will pay us $_____________ corresponding to an amount equal to 100% of the initial franchise fee payable for the first Business you will develop and 50% of each subsequent initial franchise fee payable for the remaining number of Businesses to be developed by you. The amount which you must pay us upon execution of this Agreement is referred to as the "Development Fee." The Development Fee is consideration for the rights granted to you in this Agreement and not consideration for any Franchise Agreement and is non-refundable in recognition of administrative and other expenses incurred by us and for the development opportunities lost or deferred as a result of the rights granted herein to you, notwithstanding any provision to the contrary contained in any Franchise Agreement. We will apply $_____________ of the Development Fee to the initial franchise fee payable under the first Franchise Agreement executed pursuant to this Agreement, and increments of $_____________ of the Development Fee will be applied to each of the other Franchise Agreements executed pursuant to this Agreement. The balance of the initial franchise fee payable under each Franchise Agreement shall be paid at the time the Franchise Agreement is executed. In no circumstances will we apply credits in excess of the total Development Fee paid by to us by you under this Agreement.

6. **REQUEST FOR DEVELOPMENT SCHEDULE EXTENSION**. If you are diligently working to comply with the Development Schedule and are still unable to meet one or more deadline, you may request that we provide an extension before the expiration of such applicable deadline(s). We have the right to require that you pay an extension fee of $5,000 for an extension period of 6 months and $1,000 for each month thereafter for each extended deadline, if we agree to modify any of the deadlines. We are not obligated to extend any deadlines.

7. **GRANT OF FRANCHISES**. We will grant you franchises for the operation of the Businesses within the Development Area, subject to the following requirements:

(a) For each site at which you propose to establish and operate a Business and which you believe in good faith to conform to site selection criteria established by us from time to time (a "Proposed Site"), you must submit to us, in a form specified by us, a complete site approval package (the "SAP"). The SAP must include: (i) a site approval form prescribed by us; (ii) a trade area and/or site marketing research analysis (prepared by a company approved in advance by us); (iii) an option contract, letter of intent, or other evidence satisfactory to us which describes your favorable prospects for obtaining such site; (iv) photographs of the site; (v) demographic statistics; (vi) the lease or purchase contract; and (vii) such other information or materials as we may reasonably require. We will have 30 days after receipt of the SAP from you to approve or disapprove, in our sole discretion, the Proposed Site for the Business. In the event we do not approve a Proposed Site by written notice to you within this 30 day period, such site and lease or purchase contract shall be deemed disapproved. No site shall be deemed approved unless it has been expressly approved in writing by us.

(b) Upon our approval of a Proposed Site for a Business, you must obtain lawful possession of the Approved Site through purchase or lease. Any lease or purchase contract for an Approved Site must be approved by us. You agree to give us not less than 30 days written notice before you execute a lease or purchase contract for an Approved Site which notice shall include a copy of the proposed lease or purchase contract for the Approved Site. Following such notice, we will deliver to you a Franchise Agreement and such other documents as we then customarily use when granting franchises in form for execution by you (and, if you are a corporation, partnership or limited liability company, your owners, as applicable). Concurrently with the purchase of an Approved Site or the execution of a lease for an Approved Site, you (and your owners) must sign and deliver to us the Franchise Agreement and, as applicable, such other documents delivered to you for the Business to be developed at the Approved Site together with the balance of the initial franchise fee due. An "Approved Site" is a Proposed Site for which you have submitted to us a complete SAP and any other information we may reasonably require and which we have approved for development of a Business. If you have not obtained lawful possession of an Approved Site within 90 days of delivery of our approval of a Proposed Site, we may, at our sole discretion, withdraw approval of such Proposed Site. You acknowledge that our approval of a Proposed Site will not constitute a representation or warranty, express or implied, as to the suitability of the Proposed Site for a Fajita Pete's Business or for any other purpose. You further acknowledge that neither our acceptance of the Proposed Site nor any assistance in negotiation of the lease for the Proposed Site constitutes any assurance that the Business will be profitable or more profitable in comparison to other locations. Our acceptance and any assistance is only an indication that the Proposed Site meets our minimum criteria.

(c) You must furnish to us such financial statements and other information regarding the development and operation of a proposed Business as we may reasonably require. You understand and agree that we may refuse to grant to you a franchise for a proposed Business unless you, in our reasonable judgment, have demonstrated sufficient financial capabilities to properly develop and operate the proposed Business.

(d) You agree to maintain sufficient financial resources to fulfill your obligations under this Agreement and under Franchise Agreements executed under this Agreement. You must submit for approval, from time to time at our request, a written plan for your financing, which plan shall be reasonably acceptable to us and which shall include details of the sources and terms of such financing and such other information or documents required by us. Among other factors, we may consider your proposed debt/equity ratio and amount of indebtedness in reviewing such plan. Once a plan is approved by us, you must execute and adhere to the plan. The plan shall be subject to periodic review by us and we may require, in our sole discretion, modifications to meet our then current minimum standards for developer financing plans.

8. **TERM**. Subject to the provisions of this Agreement, this Agreement shall be for a term commencing on the Agreement Date and expiring on the earlier of (i) the date upon which you must complete development of the Development Area as set forth in the Development Schedule or (ii) the date the final Franchise Agreement is executed for the final Businesses to be developed under the Development Schedule.

9. **TERMINATION**. We may terminate this Agreement and your rights to further develop Businesses, effective upon delivery of notice of termination to you, if:

(a) You have failed to make any payments due to us under this Agreement and do not correct such failure within 10 days after written notice of that failure is delivered to you;

(b) You fail to comply with any provision of this Agreement, including but not limited to your development obligations, and do not correct such failure within 30 days after written notice is delivered to you;

(c) You become insolvent, make an assignment for the benefit of creditors or you are unable to pay your debts as they become due;

(d) You (or any of your owners) have made any material misrepresentation or omission in your application for the development rights conferred by this Agreement or are convicted of or plead no contest to a felony or other crime or offense that may adversely affect the goodwill associated with the Marks;

(e) You or your owners make an unauthorized direct or indirect transfer of this Agreement or an ownership interest in this Agreement; or

(f) We have delivered to you a notice of termination of a Franchise Agreement in accordance with its terms and conditions.

If this Agreement is terminated for any reason you will lose all rights to further develop Businesses in the Development Area. However, termination will not affect your right to operate any Businesses in existence or under development provided you are in compliance with the Franchise Agreement for any such Business.

10. **ASSIGNMENT BY THE COMPANY**. This Agreement is fully transferable by us, without the need for your consent, and will inure to the benefit of any person or entity to whom it is transferred, or to any other legal successor to our interests in this Agreement.

11. **ASSIGNMENT BY DEVELOPER**. You understand and acknowledge that the rights and duties created by this Agreement are personal to you and your owners and that we have entered into this Agreement because of the individual or collective character, skill, aptitude, attitude, business ability and financial capacity of you and your owners. Therefore, neither this Agreement nor any part of your interest in it, nor any ownership interest in you may be voluntarily, involuntarily, directly or indirectly, assigned, sold or transferred without our prior written consent, which we will not unreasonably withhold. You understand and agree that, in connection with any such proposed assignment, sale or transfer, we may refuse to consent to the assignment, sale or transfer unless the transaction involves the assignment, sale or transfer of all Businesses in operation or under development to the assignee or transferee (or a controlling interest in all entities owning such Businesses). You also acknowledge and agree that, during the term of this Agreement, we may refuse to consent to an assignment, sale or transfer of any Business developed under this Agreement (or a controlling interest in any entity owning any such Business) unless the transaction involves the assignment, sale or transfer of all Businesses developed or under development by you under the terms of this Agreement.

12. **NO WARRANTY OR GUARANTEES**. You acknowledge that you have not received or relied upon any information, express or implied, as to the revenues, profits or success of the business venture contemplated by this Agreement other than as set forth in our Franchise Disclosure Document. You acknowledge that you have no knowledge of any representations by us, or by our officers, directors, shareholders, employees or agents that are contrary to the statements made in our Franchise Disclosure Document. You further represent to us, as an inducement to our entry into this Agreement, that you have made no misrepresentations to us in your application for the rights granted hereunder.

13. **SEVERABILITY AND SUBSTITUTION OF VALID PROVISIONS**. Except as expressly provided to the contrary herein, each section, paragraph, term and provision of this Agreement, and any portion thereof, will be considered severable, and if, for any reason, any such provision is held to be invalid or contrary to or in conflict with any applicable present or future law or regulation in a final, unappealable ruling issued by any court, agency or tribunal with competent jurisdiction in a proceeding to which we are a party, that ruling will not impair the operation of, or have any other effect upon, such other portions of this Agreement as may remain otherwise intelligible, which will continue to be given full force and effect and bind the parties hereto, although any portion held to be invalid will be deemed not to be a part of this Agreement from the date the time for appeal expires, if you are a party thereto, otherwise upon your receipt from us of a notice of non-enforcement thereof.

If any applicable and binding law or rule of any jurisdiction requires a greater prior notice than is required hereunder of the termination of this Agreement or of our refusal to enter into a successor development agreement, or the taking of some other action not required hereunder, or if, under any applicable and binding law or rule of any jurisdiction, any provision of this Agreement is invalid or unenforceable, the prior notice and/or other action required by such law or rule will be substituted for the comparable provisions hereof, and we will have the right, in our sole discretion, to modify such invalid or unenforceable provision to the extent required to be valid and enforceable. You agree to be bound by any promise or covenant imposing the maximum duty permitted by law which is subsumed within the terms of any provision hereof, as though it were separately articulated in and made a part of this Agreement, that may result from striking from any of the provisions hereof, any portion or portions which a court or arbitrator may hold to be unenforceable in a final decision to which we are a party, or from reducing the scope of any promise or covenant to the extent required to comply with such a court order or arbitration award. Such modifications to this Agreement will be effective only in such jurisdiction, unless we elect to give them greater applicability, and will be enforced as originally made and entered into in all other jurisdictions.

14. **WAIVER OF OBLIGATIONS**. If at any time we do not exercise a right or power available to us under this Agreement or do not insist on your strict compliance with the terms of the Agreement, or if there develops a custom or practice which is at variance with the terms of this Agreement, we will not be deemed to have waived our right to demand exact compliance with any of the terms of this Agreement at a later time. Similarly, our waiver of any particular breach or series of breaches under this Agreement or of any similar term in any other agreement between us and any developer will not affect our rights with respect to any later breach. It will also not be deemed to be a waiver of any breach of this Agreement for us to accept payments which are due to us under this Agreement.

15. **COSTS AND ATTORNEYS' FEES**. If we incur expenses in connection with your failure to pay when due amounts owed to us or otherwise to comply with this Agreement, you agree to reimburse us for any of the costs and expenses which we incur, including, without limitation, reasonable accounting, attorneys', arbitrators' and related fees.

16. **YOU MAY NOT WITHHOLD PAYMENTS DUE TO US**. You agree that you will not withhold payment of any amounts owed to us on the grounds of our alleged nonperformance of any of our obligations hereunder. You agree that all such claims will, if not otherwise resolved by us, be submitted to arbitration as provided in Section 18.

17. **RIGHTS OF PARTIES ARE CUMULATIVE**. The rights and remedies specifically granted to either you or us by this Agreement will not be deemed to prohibit either of us from exercising any other right or remedy provided under this Agreement or permitted by law or equity.

18. **ARBITRATION**. Except insofar as we elect to enforce this Agreement or any other related agreement, all controversies, disputes or claims arising between the Company, its affiliates, officers, directors, agents, employees and attorneys (in their representative capacity) and Developer (and your owners) arising out of or related to: (1) this Agreement or any provisions thereof or any related agreement (except for any sublease with any affiliates of the Company); (2) the relationship of the parties hereto; or (3) the validity of this Agreement or any related agreement, or any provision thereof; shall be submitted for arbitration to be administered by the American Arbitration Association on demand of either party. Such arbitration

proceedings shall be conducted in the city where our principal office is located and, except as otherwise provided in this Agreement, shall be conducted in accordance with then current commercial arbitration rules of the American Arbitration Association. The arbitrator shall have no authority to select a hearing locale other than as described in the prior sentence. The arbitrator shall have the right to award or include in his award any relief which he deems proper in the circumstances, including without limitation, money damages (with interest on unpaid amounts from date due), specific performance, injunctive relief, attorneys' fees and costs. The award and decision of the arbitrator shall be conclusive and binding upon all parties to this Agreement, and judgment on the award may be entered in any court of competent jurisdiction. Each party waives any right to contest the validity or enforceability of such award. The parties further agree to be bound by the provisions of any applicable limitation on the period of time in which claims must be brought. The parties further agree that in connection with any such arbitration proceeding each will file any compulsory counterclaim (as defined by rule 13 of the Federal Rules of Civil Procedure) within 30 days of the date of the filing of the claim to which it relates. This provision will continue in full force and effect subsequent to and notwithstanding expiration or termination of this Agreement. The parties agree that arbitration shall be conducted on an individual, not a class-wide basis.

19. **GOVERNING LAW**. Except to the extent governed by the United States Trademark Act of 1946, this Agreement shall be governed by and interpreted and construed under Texas law (except for Texas conflict of law rules); provided however, that any law governing the relationship between you and us shall not apply unless its jurisdictional requirements are met independently without reference to this Section. Nothing in this Section 19 is intended by the parties to subject this Agreement to (i) any franchise or similar law, rule or regulation of the State of Texas or of any other state to which it would not otherwise be subject or (ii) any laws of the State of Texas which would affect the enforceability of Section 23 to which it would not otherwise be subject.

20. **CONSENT TO JURISDICTION**. Subject to the arbitration obligations in Section 18, any judicial action must be brought in a court of competent jurisdiction in the state, and in (or closest to) the county, where our headquarters are then located. Each of the parties irrevocably submits to the jurisdiction of such courts and waives any objection to such jurisdiction or venue. Notwithstanding the foregoing, we may bring an action for a temporary restraining order or for temporary or preliminary injunctive relief, or to enforce an arbitration award or judicial decision, in any federal or state court in the county in which you reside or the Development Area is located.

21. **WAIVER OF PUNITIVE DAMAGES AND JURY TRIAL**. The parties to this Agreement hereby waive to the fullest extent permitted by law any right to or claim for any punitive or exemplary damages against the other and agree that in the event of a dispute between them each shall be limited to the recovery, upon proof, of actual damages. The parties irrevocably waive trial by jury on any action, proceeding or counterclaim, whether at law or equity, brought by either of them.

22. **NOTICES**. All written notices, reports and payments permitted or required under this Agreement will be deemed delivered at the time of delivery by express courier or messenger service, 1 business day after sending by facsimile transmission or comparable

electronic system and 3 business days after placed in the United States Mail by Registered or Certified Mail, Return Receipt Requested, postage prepaid and addressed to the party to be notified or paid at its most current principal business address of which the notifying party has been advised, or to any other place designated by either party.

23. **LIMITATION**. Any and all claims and actions arising out of or relating to this Agreement and/or the relationship of the parties, brought by either party hereto against the other, whether in mediation, in arbitration or in court, shall be commenced within two (2) years and a day after the cause of action has accrued, or such claim or action shall be forever barred. Notwithstanding the foregoing limitations, where any federal, state or provincial law provides for a shorter limitation period than above described, whether upon notice or otherwise, such shorter period will govern.

24. **ENTIRE AGREEMENT; BINDING EFFECT**. This Agreement, together with the introduction, constitutes the entire agreement between the parties concerning the subject matter of this Agreement, and there are no other oral or written understandings or agreements between the parties concerning the subject matter of this Agreement. This Agreement is binding upon us and you and our respective executors, administrators, heirs, beneficiaries, assigns and successors in interest and may not be modified except by written agreement signed by you and us. Nothing in this Agreement shall disclaim or require you to waive reliance on any representation that we made in the most recent disclosure document (including its exhibits and amendments) that we delivered to you or your representative.

25. **CONSTRUCTION**. All headings of the various sections and paragraphs of this Agreement are for convenience only and do not affect the meaning or construction of any provision. All references in this Agreement to masculine, neuter or singular usage will be construed to include the masculine, feminine, neuter or plural, wherever applicable. Except where this Agreement expressly obligates us to reasonably approve or not unreasonably withhold our approval of any of your actions or requests, we have the absolute right to refuse any request by you or to withhold our approval of any action or omission by you. The term "affiliate" as used in this Agreement is applicable to any company directly or indirectly owned or controlled by us that sells products or otherwise transacts business with you.

We will not, because of this Agreement or by virtue of any approvals, advice or services provided to you, be liable to any person or legal entity who is not a party to this Agreement, and no other party shall have any rights because of this Agreement.

If 2 or more persons are the Developer under this Agreement, their obligation and liability to us shall be joint and several.

This Agreement will be executed using multiple copies, each of which will be deemed an original.

Time is of the essence of this Agreement. ("Time is of the essence" is a legal term that emphasizes the strictness of time limits. In this case, it means it will be a material breach of this Agreement to fail to perform any obligation within the time required or permitted by this Agreement.)

The provisions of this Agreement are deemed to be severable. In other words, the parties agree that each provision of this Agreement will be construed as independent of any other provision of this Agreement.

26. **ACKNOWLEDGMENTS.**

(a) You acknowledge that you received the disclosure document required by the Trade Regulation Rule of the Federal Trade Commission entitled "Disclosure Requirements and Prohibitions Concerning Franchising", otherwise known as the Franchise Disclosure Document ("FDD"), at least fourteen (14) calendar days prior to the date on which this Agreement was executed or any payment was made by you for the franchise rights granted under this Agreement. You further acknowledge that prior to receiving our FDD, we advised you of the formats in which the FDD is made available, and any conditions necessary for reviewing the FDD in a particular format.

(b) You acknowledge that you have read and understood our FDD and this Agreement, the attachments hereto, and agreements relating thereto, if any, and that we have accorded you ample time and opportunity to consult with advisors of your own choosing about the potential benefits and risks of entering into this Agreement.

(c) You acknowledge and agree that we may modify the offer of our franchise to other area developers and franchisees 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.

(d) You acknowledge that the success of the business venture contemplated under this Agreement is speculative and depends, to a large extent, upon your ability as an independent businessperson, your active participation in the daily affairs of the business, market conditions, area competition, as well as other factors. We do not make any representation or warranty, express or implied, as to the potential success of the business venture contemplated hereby.

(e) We and you acknowledge that each provision in this Agreement has been negotiated by the parties hereto in good faith and the Agreement shall be deemed to have been drafted by both parties. It is further acknowledged that both parties intend to enforce every provision of this Agreement, including, without limitation, the provisions related to arbitration and choice of venue, regardless of any state law or regulation purporting to void or nullify any such provision.

(f) You represent and warrant that to your actual knowledge: (i) neither you, nor your officers, directors, managers, members, partners or other individual who manages the affairs of you, nor any affiliate or related party, or any funding source for the Business, is identified on the lists of Blocked Persons, Specially Designated Nationals, Specially Designated Terrorists, Specially Designated Global Terrorists, Foreign Terrorists Organizations, and Specially Designated Narcotics Traffickers at the United States Department of Treasury's Office of Foreign Assets Control (OFAC), or the Uniting and Strengthening America by Providing Appropriate Tools Required to

Intercept and Obstruct Terrorism Act of 2001, commonly known as the "USA Patriot Act," as such lists may be amended from time to time (collectively, "**Blocked Person(s)**"); (ii) neither you nor any affiliate or related party is directly or indirectly owned or controlled by the government of any country that is subject to an embargo imposed by the United States government; (iii) neither you nor any affiliate or related party is acting on behalf of the government of, or is involved in business arrangements or other transactions with, any country that is subject to such an embargo; (iv) neither you nor any affiliate or related party are on the United States Department of Commerce Denied Persons, Entity and Unverified Lists, or the United States Departments of State's Debarred List, as such lists may be amended from time to time (collectively, the "**Lists**"); (v) neither you nor any affiliate or related party, during the term of this Agreement, will be on any of the Lists or identified as a Blocked Person; and (vi) during the term of this Agreement, neither you nor any affiliate or related party will sell products, goods or services to, or otherwise enter into a business arrangement with, any person or entity on any of the Lists or identified as a Blocked Person. You agree to notify us in writing immediately upon the occurrence of any act or event that would render any of these representations incorrect.

[SIGNATURE PAGE FOLLOWS]

FAJITA PETE'S FRANCHISING LLC
AREA DEVELOPMENT AGREEMENT
SIGNATURE PAGE

IN WITNESS WHEREOF, the parties have executed this Agreement in multiple counterparts to be effective as of the Agreement Date.

COMPANY:
FAJITA PETE'S FRANCHISING LLC

By:______________________________
Name:____________________________
Title:_____________________________

Address for Notices:

Joseph Eguia
Fajita Pete's Franchising LLC
6719 Weslayan Street
Houston, Texas 77005
Telephone: (281) 800-7774
Fax: (___) ____________

With copy to:

Wayne P. Bunch, Jr., Esq.
Pierson Ferdinand, LLP
5850 San Felipe, Suite 500
Houston, Texas 77057
Telephone: (713) 955-4080
Fax: (940) 241-9482

DEVELOPER:
____

By:_________________________________
Name:_______________________________
Title:________________________________

Address for Notices:

____
____
____
Telephone:___________________________
Fax:________________________________
Attn:________________________________

FAJITA PETE'S FRANCHISING LLC
AREA DEVELOPMENT AGREEMENT
EXHIBIT A
<u>DEVELOPMENT AREA</u>

The Development Area referred to in Section 2 of the Area Development Agreement shall be:

COMPANY:	**DEVELOPER:**
FAJITA PETE'S FRANCHISING LLC	**______________________________**
By:______________________________	By:______________________________
Name:____________________________	Name:____________________________
Title:_____________________________	Title:_____________________________

FAJITA PETE'S FRANCHISING LLC
AREA DEVELOPMENT AGREEMENT
EXHIBIT B
DEVELOPMENT SCHEDULE

1. **Development**. You agree to develop a total of ____ Fajita Pete's Businesses in accordance with the terms of this Agreement.

2. **Development Obligations**. You agree to open Fajita Pete's Businesses in accordance with the following Development Schedule:

Business Number	**Franchise Agreement Executed By: Date**	**Business Opening By: Date**	**Cumulative Number of Businesses To Be Open and In Operation No Later Than the Opening Date**

COMPANY:
FAJITA PETE'S FRANCHISING LLC

By:______________________________
Name:____________________________
Title:_____________________________

DEVELOPER:
____

By:______________________________
Name:____________________________
Title:_____________________________

FAJITA PETE'S FRANCHISING LLC
AREA DEVELOPMENT AGREEMENT
EXHIBIT C
<u>GUARANTY AND ASSUMPTION OF OBLIGATIONS</u>

THIS GUARANTY AND ASSUMPTION OF OBLIGATIONS is given this _____ day of _________________, 20__, by ____.

In consideration of, and as an inducement to, the execution of that certain Area Development Agreement of even date herewith (the "Agreement") by _________________________________, (the "Company"), each of the undersigned hereby personally and unconditionally (a) guarantees to the Company, and its successors and assigns, for the term of the Agreement and thereafter as provided in the Agreement, that ____("Developer") shall punctually pay and perform each and every undertaking, agreement and covenant set forth in the Agreement; and (b) agrees to be personally bound by, and personally liable for the breach of, each and every provision in the Agreement, both monetary obligations and obligations to take or refrain from taking specific actions or to engage or refrain from engaging in specific activities, including without limitation the arbitration provisions of Section 18.

Each of the undersigned consents and agrees that: (1) his direct and immediate liability under this guaranty shall be joint and several; (2) he shall render any payment or performance required under the Agreement upon demand if Developer fails or refuses punctually to do so; (3) such liability shall not be contingent or conditioned upon pursuit by the Company of any remedies against Developer or any other person; and (4) such liability shall not be diminished, relieved or otherwise affected by an extension of time, credit or other indulgence which the Company may from time to time grant to Developer or to any other person, including without limitation, the acceptance of any partial payment or performance, or the compromise or release of any claims, none of which shall in any way modify or amend this guaranty, which shall be continuing and irrevocable during the term of the Agreement.

Each of the undersigned waives all rights to payments and claims for reimbursement or subrogation which any of the undersigned may have against Developer arising as a result of the undersigned's execution of and performance under this guaranty.

If the Company is required to enforce this guaranty in a judicial or arbitration proceeding, and prevails in such proceeding, it shall be entitled to reimbursement of its costs and expenses, including, but not limited to, reasonable accountants', attorneys', attorneys' assistants', arbitrators' and expert witness fees, costs of investigation and proof of facts, court costs, other litigation expenses and travel and living expenses, whether incurred prior to, in preparation for or in contemplation of the filing of any such proceeding. If the Company is required to engage legal counsel in connection with any failure by the undersigned to comply with this guaranty, the undersigned shall reimburse the Company for any of the above-listed costs and expenses incurred by it.

[SIGNATURE PAGE FOLLOWS]

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

<u>GUARANTOR(S)</u>

____

____

____

____

EXHIBIT D

FINANCIAL STATEMENTS

FAJITA PETE'S FRANCHISING, LLC

FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023

FAJITA PETE'S FRANCHISING, LLC

FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023

TABLE OF CONTENTS

David P. Chaney, CPA, P.C.
2500 E. TC Jester Blvd.
Suite 258
Houston, TX 77008
713-868-1174

INDEPENDENT AUDITOR'S REPORT

To the Member:
Fajita Pete's Franchising, LLC

Opinion

I have audited the accompanying financial statements of Fajita Pete's Franchising, LLC, (the "Company") (a Texas limited liability corporation), which comprise the balance sheets as of December 31, 2024 and 2023, and the related statements of operations and members' capital, and cash flows for years ended December 31, 2024 and 2023, and the related notes to the financial statements.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2024 and 2023, and the results of its operations and its cash flows for the years ended December 31, 2024 and 2023, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

I conducted my audits in accordance with auditing standards generally accepted in the United States of America. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am required to be independent of the Company and to meet my other ethical responsibilities in accordance with the relevant ethical requirements relating to my audits. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company'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

My 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 my 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, including omissions, 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, I:

- 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 the Company'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 my judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

I am 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 I identified during the audit.

David P. Chaney, CPA, P.C.

Houston, Texas
April 15, 2025

FAJITA PETE'S FRANCHISING, LLC
BALANCE SHEETS
DECEMBER 31, 2024 AND 2023

ASSETS	2024	2023
CURRENT ASSETS:		
Cash	$ 229,041	$ 303,753
Accounts receivable	10,750	17,470
Capitalized contract costs, short-term	41,676	42,448
Due from related parties	-	65,000
Prepaid expenses	36,013	28,790
Total current assets	317,480	457,461
FIXED ASSETS:		
Furniture & equipment	19,635	19,635
Vehicles	28,235	28,235
Leasehold improvements	3,975	3,975
Accumulated depreciation	(30,773)	(20,863)
Total fixed assets	21,072	30,982
OTHER ASSETS:		
Capitalized contract costs, long-term	380,285	424,198
Total other assets	380,285	424,198
TOTAL ASSETS	$ 718,837	$ 912,641
LIABILITIES AND MEMBERS' CAPITAL		
CURRENT LIABILITIES:		
Accounts payable	$ 22,773	$ 24,269
Accrued payroll	1,691	22,820
Credit card payable	10,399	12,145
Deferred revenue, short-term	176,314	180,453
Due to related party	-	5,000
EIDL note payable, short-term	987	2,170
Gift card liability	59,973	64,288
Line of credit payable	-	65,185
Total current liabilities	272,137	376,330
LONG-TERM LIABILITIES		
EIDL note payable, long-term	43,615	43,303
Deferred revenue, long-term	1,462,834	1,650,142
Total long-term liabilities	1,506,449	1,693,445
TOTAL LIABILITIES	1,778,586	2,069,775
MEMBERS' CAPITAL:		
Managing members	(1,059,749)	(1,157,134)
Total members' capital	(1,059,749)	(1,157,134)
TOTAL LIABILITIES AND MEMBERS' CAPITAL	$ 718,837	$ 912,641

The accompanying notes are an integral part of this financial statement.

FAJITA PETE'S FRANCHISING, LLC
STATEMENTS OF OPERATIONS AND MEMBERS' CAPITAL
YEARS ENDED DECEMBER 31, 2024 AND 2023

	2024	2023
REVENUE:		
Royalty fees	**$ 1,052,189**	$ 983,805
Franchise sales	**257,946**	248,073
Manufacturer rebates	**33,174**	7,888
Other income	**18,036**	18,135
Total revenue	**1,361,345**	1,257,901
OPERATING EXPENSES:		
Advertising	**4,000**	15,640
Automobile	**-**	1,619
Bad debt expense	**-**	2,100
Bank fees	**5,938**	8,634
Commissions and other selling costs	**16,122**	18,675
Cost of franchise acquisition	**57,115**	53,827
Depreciation	**9,910**	9,571
Dues and subscriptions	**3,700**	5,490
Franchise support	**77,051**	-
Interest	**4,566**	3,409
Insurance	**23,610**	29,299
Legal and professional fees	**56,092**	97,800
Meals and entertainment	**2,683**	2,968
Office supplies	**33,735**	29,514
Payroll	**963,283**	899,708
Rent	**7,639**	24,594
Telephone	**2,785**	2,454
Training	**-**	4,263
Travel	**26,486**	26,594
Uniforms	**1,093**	555
Total operating expenses	**1,295,808**	1,236,714
INCOME FROM OPERATIONS	**65,537**	21,187
System advertising fund income	**192,859**	180,855
System advertising fund expense	**(161,011)**	(136,232)
NET INCOME/(LOSS)	**97,385**	65,810
MEMBERS' CAPITAL, BEGINNING OF PERIOD	**(1,157,134)**	(1,222,944)
MEMBERS' CAPITAL, END OF PERIOD	**$ (1,059,749)**	$ (1,157,134)

The accompanying notes are an integral part of this financial statement.

FAJITA PETE'S FRANCHISING, LLC
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2024 AND 2023

	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income/(loss)	**$ 97,385**	$ 65,810
Adjustments to reconcile excess of revenues over expenses to net cash provided/(used) by operating activities:		
Depreciation	**9,910**	9,571
Decrease (increase) in:		
Accounts receivable	**6,720**	(15,548)
Prepaid expenses	**(7,223)**	(12,387)
Due from related parties	**65,000**	(61,659)
Deposits	**-**	3,056
Employee retention credit receivable	**-**	213,747
Capitalized contract costs	**44,685**	18,780
Increase (decrease) in:		
Accounts payable	**(1,496)**	(73,541)
Accrued payroll	**(21,129)**	(5,139)
Credit card payable	**(1,746)**	(35,544)
Deferred revenue	**(191,447)**	(107,026)
Due to related party	**(5,000)**	(21,266)
Gift card liability	**(4,315)**	10,863
Line of credit payable	**(65,185)**	65,185
NET CASH PROVIDED/(USED) BY OPERATING ACTIVITIES	**(73,841)**	54,902
CASH FLOWS FROM FINANCING ACTIVITIES		
EIDL note payable	**(871)**	(3,348)
NET CASH PROVIDED/(USED) BY FINANCING ACTIVITIES	**(871)**	(3,348)
NET INCREASE/(DECREASE) IN CASH	**(74,712)**	51,554
CASH AT BEGINNING OF PERIOD	**303,753**	252,199
CASH AT END OF PERIOD	**$ 229,041**	$ 303,753

The accompanying notes are an integral part of this financial statement.

NOTE 1 – NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

Fajita Pete's Franchising, LLC (the Company) is a registered limited liability company organized under the laws of the state of Texas. It was organized on August 24, 2010 in Houston, TX. The Company markets and operates franchise agreements for the "Fajita Pete's" themed restaurants.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Income Taxes

The Company is treated as a disregarded entity for federal income tax purposes. Consequently, federal income taxes are not payable by or provided for by the Company. The member is taxed individually on the Company's earnings. State income taxes are accrued and expensed as incurred.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Company considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

Depreciation

The Company is depreciating furniture, equipment, and vehicles over their useful lives of 5 years and leasehold improvements over their useful lives of 10 years on the straight line basis.

Accounts Receivable

Accounts receivable consist of franchisee balances based on contracted amounts for royalties and product sales. As of December 31, 2024 and 2023, management believes all receivables to be collectable. Therefore, no allowance for doubtful accounts has been established.

Revenue Recognition.

From 2014 through 2017, the Financial Accounting Standards Board ("FASB") issued standards to provide principles within a single framework for revenue recognition of transactions involving contracts with customers across all industries ("Topic 606"). The Company adopted Topic 606 at the beginning of the year ended December 31, 2019. Below is a discussion of how the Company's revenues are earned, the accounting policies pertaining to revenue recognition subsequent to the adoption of Topic 606 and other required disclosures.

Franchise Revenues

The timing and amount of revenue recognized related to royalties was not impacted by the adoption of Topic 606 based on the application of the sales-based royalty exception within Topic 606.

Upon the adoption of Topic 606, the Company determined that the services provided in exchange for upfront franchise fees, which primarily relate to pre-opening support, are highly interrelated with the franchise right and are not individually distinct from the ongoing services the Company provides to the franchisees. As a result, upon the adoption of Topic 606, upfront franchise fees are recognized as revenue over the term of each respective franchise. Revenues for these upfront franchise fees are recognized on a straight-line basis, which is consistent with the franchisee's right to use and benefit from the intellectual property.

As such, initial franchise fees, are deferred and recognized over the term of the underlying franchise agreement. The effect of the required deferral of initial franchise fees received in a given year is mitigated by the recognition of revenue from fees retrospectively deferred from prior years and the amortization of capitalized incentive payments and franchisee servicing costs.

System Ad Fund and Franchise Contributions

The Company collects a 1% advertising royalty from its franchisees. This 1% contribution is accounted for separately to fund a franchise wide marketing program.

In accordance with the provisions of Topic 606, the Company has determined that it acts as a principal in the transactions entered into for advertising services based on its responsibility to define the nature of the goods or services provided and/or its responsibility to define which franchisees receive the benefit of the goods or services. Additionally, the Company has determined the advertising services provided to franchisees are highly interrelated with the franchise right and therefore not distinct. Franchisees remit to the Company a percentage of restaurant sales as consideration for providing the advertising services. As a result, revenues for advertising services are recognized when the related restaurant sales occur based on the application of the sales-based royalty exception within Topic 606. Revenues for these services are typically billed and paid on a weekly basis. These revenues are presented as franchise contributions in the revenue section and expenses incurred to provide these services are presented as franchise advertising expense in the expense section in the Statements of Income and Members' Equity.

Concentration of Credit Risk

Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of temporary cash investments. The Company places its temporary cash investments with banks that are FDIC insured. As of December 31, 2024 and 2023, there were $-0- and $35,775 in deposits that exceeded FDIC insurance limits, respectively.

Advertising Costs

Advertising costs are expensed as incurred.

Recent Accounting Pronouncements

The Financial Accounting Standards Board ("FASB") has issued standards on the recognition and measurement of leases that are intended to increase transparency and comparability among organizations by requiring that substantially all lease assets and liabilities be recognized on the balance sheet and by requiring the disclosure of key information about leasing arrangements. We will adopt these standards using a modified retrospective transition approach for leases existing at, or entered into after, December 31, 2021, and will not recast the comparative periods presented in the Financial Statements upon adoption. Management currently does not have any leases in effect.

Subsequent Events

For the year ended December 31, 2024, the Company has evaluated subsequent events for potential recognition and disclosure through April 15, 2025, which is the date the financial statements were available to be issued.

NOTE 2 – RELATED PARTY TRANSACTIONS

There is a balance due for monies advanced to the Company from a related party as of December 31, 2024 and 2023, of $-0- and $5,000 respectively.

The Company was also owed $-0- and $65,000 as of December 31, 2024 and 2023, respectively, from stores owned by related parties.

NOTE 3 – SYSTEM ADVERTISING FUND

The Company collects a 1% advertising royalty from its franchisees. This 1% contribution is accounted for separately to fund a franchise wide marketing program. For the year ended December 31, 2024 and 2023, due to the adoption of Topic 606, these amounts require gross presentation in the Statements of Income and Members' Equity. For the years ended December 31, 2024 and 2023, the Company collected $192,859 and $180,855 in System Advertising Fund revenue and expensed $161,011 and $136,232, respectively.

NOTE 4 – DEFERRED REVENUE AND CAPITALIZED CONTRACT COSTS

As of December 31, 2024, 2023, deferred revenue and capitalized franchise costs were as follows:

Balance Sheet Caption	FY 2024		FY 2023	
	Beginning	Ending	Beginning	Ending
Capitalized contract costs, short-term	$ 42,448	$ 41,676	$ 44,718	$ 42,448
Capitalized contract costs, long-term	424,198	380,285	440,708	424,198
Deferred revenue, short-term	180,453	176,314	179,214	180,453
Deferred revenue, long-term	$ 1,650,142	$ 1,462,834	$ 1,758,407	$ 1,650,142

NOTE 5 – PAYCHECK PROTECTION PROGRAM (PPP) LOAN

For the year 2020, the company took out a Paycheck Protection Program (PPP) loan of $44,900. The loan was initially wholly forgiven as of December 31, 2020. However, as of December 31, 2022, this forgiveness was rescinded and interest was charged. The remaining principal balance as of December 31, 2024 and 2023, was $44,602 and $45,473, respectively. The loan is payable in full 30-years from the original inception date of the loan of June 10, 2020, and carries an interest rate of 3.75%. Future minimum under the terms of this note are as follows:

Year ending December 31,	Principal	Interest	Total
2025	$ 987	$ 1,653	$ 2,640
2026	1,025	1,615	2,640
2027	1,064	1,576	2,640
2028	1,105	1,535	2,640
2029	1,147	1,493	2,640
Thereafter	39,275	18,171	57,445
Total	$ 44,602	$ 26,043	$ 70,645

NOTE 6 – LEASE OBLIGATIONS PAYABLE

The Company leased office space under an operating lease. The lease expired in fiscal year 2023 and the company no longer has a long-term lease.

NOTE 7 – LITIGATION AND LEGAL CONTINGENCIES

From time to time, the Company is involved in routine litigation that arises in the ordinary course of business.

The Company is a party to a litigation for which management believes the ultimate outcome will have no material adverse effect on the Company's financial position. As such, no loss has been accrued at this time.

NOTE 8 – LINE OF CREDIT

As of December 31, 2024 and 2023, the Company has one revolving credit agreement with a commercial bank. The line of credit is capped at a 12-month tenor from a U.S. bank which provides for cash advances for operating expenditures up to a maximum outstanding balance of $250,000 with interest accruing U.S. Prime rate plus 2%. The line of credit expires in January 2025 and as of December 31, 2024 and 2023, the outstanding balance was $-0- and $65,185, respectively.

NOTE 10 – CREDIT CARD PAYABLE

As of December 31, 2024 and 2023, the Company has a credit card with a commercial bank which is due in full each month with no stated interest rate. The outstanding balance as of December 31, 2024 and 2023, was $10,399 and $12,145, respectively.

NOTE 11 – GIFT CARD LIABILITY

The Company offers, on a system wide basis, gift cards which can be used for dining and beverage credits at any franchise location. When a gift card is sold, it is treated as deferred revenue. As of December 31, 2024 and 2023, the outstanding balance of unused gift cards was $59,973 and $64,288, respectively. On a periodic basis, a breakage estimate is applied against the balance for the estimated unused gift cards. For the year ended December 31, 2024 and 2023, $14,136 and $-0-, respectively, in gift card breakage income was realized.

NOTE 12 - SUMMARY OF FRANCHISE UNITS

The changes in franchise ownership for the years ended December 31, 2024 and 2023:

	2024	2023
Number of franchises sold	4	3
Number of franchises purchased	0	10
Number of franchised outlets in operation	31	27
Number of franchisor-owned outlets in operation	1	1

FAJITA PETE'S FRANCHISING, LLC

FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

FAJITA PETE'S FRANCHISING, LLC

FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

TABLE OF CONTENTS

David P. Chaney, CPA, P.C.
2500 E. TC Jester Blvd.
Suite 258
Houston, TX 77008
713-868-1174

INDEPENDENT AUDITOR'S REPORT

To the Member:
Fajita Pete's Franchising, LLC

Opinion

I have audited the accompanying financial statements of Fajita Pete's Franchising, LLC, (the "Company") (a Texas limited liability corporation), which comprise the balance sheets as of December 31, 2023 and 2022, and the related statements of operations and members' capital, and cash flows for years ended December 31, 2023 and 2022, and the related notes to the financial statements.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2023 and 2022, and the results of its operations and its cash flows for the years ended December 31, 2023 and 2022, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

I conducted my audits in accordance with auditing standards generally accepted in the United States of America. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am required to be independent of the Company and to meet my other ethical responsibilities in accordance with the relevant ethical requirements relating to my audits. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company'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

My 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 my 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, including omissions, 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, I:

- 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 the Company'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 my judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

I am 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 I identified during the audit.

David P. Chaney, CPA, P.C.

Houston, Texas
April 25, 2024

FAJITA PETE'S FRANCHISING, LLC
BALANCE SHEETS
DECEMBER 31, 2023 AND 2022

ASSETS	**2023**	2022
CURRENT ASSETS:		
Cash	**$ 303,753**	$ 252,199
Accounts receivable	**17,470**	1,922
Capitalized contract costs, short-term	**42,448**	44,718
Due from related parties	**65,000**	3,341
Employee retention credit receivable	**-**	213,747
Prepaid expenses	**28,790**	16,403
Total current assets	**457,461**	532,330
FIXED ASSETS:		
Furniture & equipment	**19,635**	19,635
Vehicles	**28,235**	28,235
Leasehold improvements	**3,975**	3,975
Accumulated depreciation	**(20,863)**	(11,292)
Total fixed assets	**30,982**	40,553
OTHER ASSETS:		
Deposits	**-**	3,056
Capitalized contract costs, long-term	**424,198**	440,708
Total other assets	**424,198**	443,764
TOTAL ASSETS	**$ 912,641**	$ 1,016,647
LIABILITIES AND MEMBERS' CAPITAL		
CURRENT LIABILITIES:		
Accounts payable	**$ 24,269**	$ 97,810
Accrued payroll	**22,820**	27,959
Credit card payable	**12,145**	47,689
Deferred revenue, short-term	**180,453**	179,214
Due to related party	**5,000**	26,266
EIDL note payable, short-term	**2,170**	3,503
Gift card liability	**64,288**	53,425
Line of credit payable	**65,185**	-
Total current liabilities	**376,330**	435,866
LONG-TERM LIABILITIES		
EIDL note payable, long-term	**43,303**	45,318
Deferred revenue, long-term	**1,650,142**	1,758,407
Total long-term liabilities	**1,693,445**	1,803,725
TOTAL LIABILITIES	**2,069,775**	2,239,591
MEMBERS' CAPITAL:		
Managing members	**(1,157,134)**	(1,222,944)
Total members' capital	**(1,157,134)**	(1,222,944)
TOTAL LIABILITIES AND MEMBERS' CAPITAL	**$ 912,641**	$ 1,016,647

The accompanying notes are an integral part of this financial statement.

FAJITA PETE'S FRANCHISING, LLC
STATEMENTS OF OPERATIONS AND MEMBERS' CAPITAL
YEARS ENDED DECEMBER 31, 2023 AND 2022

	2023	2022
REVENUE:		
Royalty fees	**$ 983,805**	$ 963,715
Franchise sales	**248,073**	168,106
Manufacturer rebates	**7,888**	4,705
Other income	**18,135**	94,638
Total revenue	**1,257,901**	1,231,164
OPERATING EXPENSES:		
Advertising	**15,640**	75,564
Automobile	**1,619**	-
Bad debt expense	**2,100**	-
Bank fees	**8,634**	14,880
Charitable contributions	**-**	12,700
Commissions and other selling costs	**18,675**	53,468
Cost of franchise acquisition	**53,827**	58,418
Depreciation	**9,571**	8,157
Dues and subscriptions	**5,490**	10,415
Interest	**3,409**	4,833
Insurance	**29,299**	20,148
Legal and professional fees	**97,800**	249,777
Meals and entertainment	**2,968**	8,658
Office supplies	**29,514**	40,272
Payroll	**899,708**	1,177,125
Payments on behalf of related party	**-**	20,971
Rent	**24,594**	55,749
Telephone	**2,454**	3,674
Training	**4,263**	23,891
Travel	**26,594**	81,453
Uniforms	**555**	4,449
Total operating expenses	**1,236,714**	1,924,602
INCOME FROM OPERATIONS	**21,187**	(693,438)
Employee retention credit income	**-**	213,747
System advertising fund income	**180,855**	176,336
System advertising fund expense	**(136,232)**	(304,188)
Reversal of PPP loan forgiveness	**-**	(44,900)
NET INCOME/(LOSS)	**65,810**	(652,443)
MEMBERS' CAPITAL, BEGINNING OF PERIOD	**(1,222,944)**	(668,361)
Members' contributions/(distributions)	**-**	97,860
MEMBERS' CAPITAL, END OF PERIOD	**$ (1,157,134)**	$(1,222,944)

The accompanying notes are an integral part of this financial statement.

FAJITA PETE'S FRANCHISING, LLC
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2023 AND 2022

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income/(loss)	**$ 65,810**	$ (652,443)
Adjustments to reconcile excess of revenues over expenses to net cash provided/(used) by operating activities:		
Depreciation	**9,571**	8,157
Decrease (increase) in:		
Accounts receivable	**(15,548)**	12,734
Prepaid expenses	**(12,387)**	(12,120)
Due from related parties	**(61,659)**	(3,341)
Deposits	**3,056**	-
Employee retention credit receivable	**213,747**	(213,747)
Capitalized contract costs	**18,780**	26,484
Increase (decrease) in:		
Accounts payable	**(73,541)**	(20,148)
Accrued payroll	**(5,139)**	(233,378)
Credit card payable	**(35,544)**	47,689
Deferred revenue	**(107,026)**	114,394
Due to related party	**(21,266)**	20,492
Gift card liability	**10,863**	(3,497)
Line of credit payable	**65,185**	-
NET CASH PROVIDED/(USED) BY OPERATING ACTIVITIES	**54,902**	(908,724)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of equipment	**-**	(3,464)
Purchase of vehicles	**-**	(14,385)
NET CASH PROVIDED/(USED) BY INVESTING ACTIVITIES	**-**	(17,849)
CASH FLOWS FROM FINANCING ACTIVITIES		
EIDL note payable	**(3,348)**	48,821
Members' contributions/(distributions)	**-**	97,860
NET CASH PROVIDED/(USED) BY FINANCING ACTIVITIES	**(3,348)**	146,681
NET INCREASE/(DECREASE) IN CASH	**51,554**	(779,892)
CASH AT BEGINNING OF PERIOD	**252,199**	1,032,091
CASH AT END OF PERIOD	**$ 303,753**	$ 252,199

The accompanying notes are an integral part of this financial statement.

NOTE 1 – NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

Fajita Pete's Franchising, LLC (the Company) is a registered limited liability company organized under the laws of the state of Texas. It was organized on August 24, 2010 in Houston, TX. The Company markets and operates franchise agreements for the "Fajita Pete's" themed restaurants.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Income Taxes

The Company is treated as a disregarded entity for federal income tax purposes. Consequently, federal income taxes are not payable by or provided for by the Company. The member is taxed individually on the Company's earnings. State income taxes are accrued and expensed as incurred.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Company considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

Depreciation

The Company is depreciating furniture, equipment, and vehicles over their useful lives of 5 years and leasehold improvements over their useful lives of 10 years on the straight line basis.

Accounts Receivable

Accounts receivable consist of franchisee balances based on contracted amounts for royalties and product sales. As of December 31, 2023 and 2022, management believes all receivables to be collectable. Therefore, no allowance for doubtful accounts has been established.

Revenue Recognition.

From 2014 through 2017, the Financial Accounting Standards Board ("FASB") issued standards to provide principles within a single framework for revenue recognition of transactions involving contracts with customers across all industries ("Topic 606"). The Company adopted Topic 606 at the beginning of the year ended December 31, 2019. Below is a discussion of how the Company's revenues are earned, the accounting policies pertaining to revenue recognition subsequent to the adoption of Topic 606 and other required disclosures.

Franchise Revenues

The timing and amount of revenue recognized related to royalties was not impacted by the adoption of Topic 606 based on the application of the sales-based royalty exception within Topic 606.

Upon the adoption of Topic 606, the Company determined that the services provided in exchange for upfront franchise fees, which primarily relate to pre-opening support, are highly interrelated with the franchise right and are not individually distinct from the ongoing services the Company provides to the franchisees. As a result, upon the adoption of Topic 606, upfront franchise fees are recognized as revenue over the term of each respective franchise. Revenues for these upfront franchise fees are recognized on a straight-line basis, which is consistent with the franchisee's right to use and benefit from the intellectual property.

As such, initial franchise fees, are deferred and recognized over the term of the underlying franchise agreement. The effect of the required deferral of initial franchise fees received in a given year is mitigated by the recognition of revenue from fees retrospectively deferred from prior years and the amortization of capitalized incentive payments and franchisee servicing costs.

System Ad Fund and Franchise Contributions

The Company collects a 1% advertising royalty from its franchisees. This 1% contribution is accounted for separately to fund a franchise wide marketing program.

In accordance with the provisions of Topic 606, the Company has determined that it acts as a principal in the transactions entered into for advertising services based on its responsibility to define the nature of the goods or services provided and/or its responsibility to define which franchisees receive the benefit of the goods or services. Additionally, the Company has determined the advertising services provided to franchisees are highly interrelated with the franchise right and therefore not distinct. Franchisees remit to the Company a percentage of restaurant sales as consideration for providing the advertising services. As a result, revenues for advertising services are recognized when the related restaurant sales occur based on the application of the sales-based royalty exception within Topic 606. Revenues for these services are typically billed and paid on a weekly basis. These revenues are presented as franchise contributions in the revenue section and expenses incurred to provide these services are presented as franchise advertising expense in the expense section in the Statements of Income and Members' Equity.

Concentration of Credit Risk

Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of temporary cash investments. The Company places its temporary cash investments with banks that are FDIC insured. As of December 31, 2023 and 2022, there were $35,775 and $-0- in deposits that exceeded FDIC insurance limits, respectively.

Advertising Costs

Advertising costs are expensed as incurred.

Recent Accounting Pronouncements

The Financial Accounting Standards Board ("FASB") has issued standards on the recognition and measurement of leases that are intended to increase transparency and comparability among organizations by requiring that substantially all lease assets and liabilities be recognized on the balance sheet and by requiring the disclosure of key information about leasing arrangements. We will adopt these standards using a modified retrospective transition approach for leases existing at, or entered into after, December 31, 2021, and will not recast the comparative periods presented in the Financial Statements upon adoption. Management currently does not have any leases in effect.

Subsequent Events

For the year ended December 31, 2023, the Company has evaluated subsequent events for potential recognition and disclosure through April 25, 2024, which is the date the financial statements were available to be issued.

NOTE 2 – RELATED PARTY TRANSACTIONS

The Company was owed $65,000 and $3,341 from a related party as of December 31, 2023 and 2022, respectively.

The Company owed $5,000 and $26,266 from a related party as of December 31, 2023 and 2022, respectively.

NOTE 3 – SYSTEM ADVERTISING FUND

The Company collects a 1% advertising royalty from its franchisees. This 1% contribution is accounted for separately to fund a franchise wide marketing program. For the years ended December 31, 2023 and 2022, due to the adoption of Topic 606, these amounts require gross presentation in the Statements of Income and Members' Equity. For the years ended December 31, 2023 and 2022, the Company collected $180,855 and $176,336 in System Advertising Fund revenue and expensed $136,232 and $304,188, respectively.

NOTE 4 – DEFERRED REVENUE

As of December 31, 2023 and 2022, deferred revenue of $1,830,595 and $1,937,621 is presented in accordance with TOPIC 606 as discussed in Note 1.

NOTE 5 – SUBSEQUENT EVENTS

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern.

In the first quarter of fiscal and calendar year 2020, the World Health Organization recognized the novel strain of coronavirus, COVID-19, as a pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, customers, economies, and financial markets globally, potentially leading to an economic downturn. A health pandemic is a disease outbreak that spreads rapidly and widely by infection and affects many individuals in an area or population at the same time. Customers might avoid public gathering places in the event of a health pandemic, and local, regional or national governments might limit or ban public gatherings to halt or delay the spread of disease. The conditions may impact customer traffic and the ability to adequately staff restaurants, receive deliveries on a timely basis or perform functions at the corporate level. The Company also may be adversely affected if jurisdictions in which the Company has franchises impose mandatory closures, seek voluntary closures or impose restrictions on operations. Even if such measures are not implemented, the perceived risk of infection or significant health risk may adversely affect business. The Company cannot reasonably estimate the negative impact to the Company's business, revenues, financial condition or results of operations.

NOTE 6 – PAYCHECK PROTECTION PROGRAM (PPP) LOAN

For the year 2020, the company took out a Paycheck Protection Program (PPP) loan of $44,900. The loan was initially wholly forgiven as of December 31, 2020. However, as of December 31, 2022, this forgiveness was rescinded and interest was charged. The remaining principal balance as of December 31, 2023 and 2022, was $45,473 and $48,822, respectively. The loan is payable in full 30-years from the original inception date of the loan of June 10, 2020, and carries an interest rate of 3.75%. Future minimum under the terms of this note are as follows:

Year ending December 31,	Principal	Interest	Total
2024	$ 2,170	$ 1,656	$ 3,826
2025	1,034	1,606	2,640
2026	1,073	1,567	2,640
Thereafter	41,196	20,844	62,040
Total	$ 41,497	$ 30,089	$ 71,586

NOTE 7 – LEASE OBLIGATIONS PAYABLE

The Company leases office space under an operating lease. The lease expired in fiscal year 2023 and the company no longer has a long-term lease.

NOTE 8 – LITIGATION AND LEGAL CONTINGENCIES

From time to time, the Company is involved in routine litigation that arises in the ordinary course of business.

The Company is a party to a litigation for which management believes the ultimate outcome will have no material adverse effect on the Company's financial position. As such, no loss has been accrued at this time.

NOTE 9 – LINE OF CREDIT

As of December 31, 2023, the Company has a revolving credit agreement with a commercial bank. The line of credit has a 12-month term which provides for cash advances for operating expenditures up to a maximum outstanding balance of $250,000 with interest accruing U.S. Prime rate plus 2%. The line of credit expires in January 2024 and as of December 31, 2023, the outstanding balance was $65,185.

NOTE 10 – CREDIT CARD PAYABLE

As of December 31, 2023 and 2022, the Company has a credit card with a commercial bank which is due in full each month with no stated interest rate. The outstanding balance as of December 31, 2023 and 2022, was $12,145 and $47,689, respectively.

NOTE 11 - SUMMARY OF FRANCHISE UNITS

The changes in franchise ownership for the years ended December 31, 2023 and 2022:

	2023	2022
Number of franchises sold	3	9
Number of franchises purchased	10	0
Number of franchised outlets in operation	27	30
Number of franchisor-owned outlets in operation	1	1

EXHIBIT E

TABLE OF CONTENTS – OPERATIONS MANUAL

The Fajita Pete's Customer Experience

Table of Contents

Food Safety and Sanitation

Table of Contents

The Role of a Manager

Table of Contents

Recruiting and Hiring Team Members

Table of Contents

Managing Team Members

Table of Contents

Ordering and Receiving Inventory

Table of Contents

Safety and Security

Table of Contents

EXHIBIT F

STATE SPECIFIC ADDENDUM

We are required to provide you with additional information as a condition of registering our franchise offering in certain states. The additional disclosures, **if required**, are set out below. These additional disclosures apply only if the jurisdictional requirements of the applicable state franchise law are met.

AMENDMENT TO FAJITA PETE'S FRANCHISING LLC
DISCLOSURE DOCUMENT, AREA DEVELOPMENT AGREEMENT AND FRANCHISE AGREEMENT
FOR THE STATE OF ILLINOIS

The Fajita Pete's Franchising LLC Disclosure Document (the "Disclosure Document"), Area Development Agreement and Franchise Agreement between ________________________________ ("Franchisee") and Fajita Pete's Franchising LLC, a Texas limited liability company ("Fajita Pete's"), dated ____________________ ___, 20___ (the "Agreements") shall be amended by the addition of the following language, which shall be considered an integral part of the Disclosure Document and Agreements (this "Amendment"):

ILLINOIS LAW MODIFICATIONS

1. The Illinois Attorney General requires that certain provisions contained in franchise documents be amended to be consistent with Illinois law, including the Franchise Disclosure Act of 1987, 815 ILCS 705/1 – 705/44 (the "Act"), specifically section 705/41 of the Act. To the extent that the Disclosure Document and/or Agreements contain provisions that are inconsistent with the following, such provisions are hereby amended:

a. The Agreements require the Franchisee to execute a release of claims or to acknowledge facts that would negate or remove from judicial review any statement, misrepresentation or action of Fajita Pete's that would violate the Act, or a rule or order under the Act. Such release shall exclude claims arising under the Act, and such acknowledgments shall be void with respect to claims under the Act. Section 41 of the Act states that any condition, stipulation, or provision (in our agreements) purporting to waive compliance with any provision of this Act **or any other law of this State** is void.

b. The Agreements and Item 17 of the Disclosure Document designate a jurisdiction, forum and venue and choice of law outside of Illinois. This requirement shall not be interpreted to limit any rights that Franchisee may have under Sec. 705/4 of the Act, to bring suit in the state of Illinois. Applicable sections of the Franchise Agreement and the Area Development Agreement and Item 17v and 17w of the Disclosure Document are hereby amended to indicate Illinois as the governing law and choice of forum.

c. The Agreements require prospective Franchisees to disclaim the occurrence and/or acknowledge the non-occurrence of acts that would constitute a violation of the Act in order to purchase our franchise. Such representations are not intended to nor shall they act as a release, estoppel or waiver of any liability incurred under the Act.

d. No action can be maintained to enforce any liability created by the Illinois law unless brought before the earlier of (i) the expiration of 3 years after the act or transaction constituting the violation upon which such action is based; (ii) the expiration of 1 year after you become aware of facts or circumstances reasonably indicating that you may have a claim for relief in respect to conduct governed by Illinois Law; or (iii) 90 days after delivery to you of a written notice disclosing the violation.

e. The Agreements contain certain provisions regarding termination and non-renewal of franchise and notice and opportunity to cure. To the extent any provision of the Agreements and/or the Disclosure Document are inconsistent with Sections 705/19 - 705/20 of the Act, those provisions of the Agreements and/or Disclosure Document are hereby amended accordingly.

f. 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.

2. Each provision of this Amendment shall be effective only to the extent that the jurisdictional requirements of the Act, with respect to each such provision, are met independent of this Amendment. This Amendment shall have no force or effect if such jurisdictional requirements are not met.

IN WITNESS WHEREOF, the parties hereto have fully executed, sealed and delivered this Amendment to the Disclosure Document and Agreements on the ___ day of ______________, 20__.

FRANCHISOR:

FAJITA PETE'S FRANCHISING LLC
a Texas limited liability company

By:____
Name:____
Title:____

FRANCHISEE:

____

By:____
Name:____
Title:____

EXHIBIT G
LIST OF FRANCHISEES AND DEVELOPERS
AS OF DECEMBER 31, 2024

	Franchise Entity Name & Principal Owner	Store Address & Phone Number
1.	Legacy KC, LLC – Keen, Scott	8909 W. 135th St. Overland Park Kansas 66221 - 913.361.7700
2.	Top Star Group, LLC – Castillo, Pierre	16809 El Camino Real # A Houston, Texas 77058 – 832.284.4008
3.	MPB Fajita's, LLC - Blalock, Michael and Middleton, Jason	5523A Balcones Dr. Austin, Texas 78731 – 737.332.5482
4.	MPB Fajitas, LLC – Blalock, Michael and Middleton, Jason	2800 E. Whitestone Blvd. # 130 Cedar Park, Texas 78613 – 737.337.8376
5.	Frajholdings, LLC – Compofelice, Anthony	24345 Gosling Rd. Suite 225Spring, Texas 77389 – 832.616.3083
6.	Frajholdings Conroe, LLC – Compofelice, Anthony	850 S Loop 336 West Conroe, Texas 77304 – 936.231.8341
7.	G&S Business, LLC– Howell, David	4441 Lovers Lane Dallas, TX 75225 – 469.868.614
8.	G&S Business, LLC - Howell, David	1920 Abrams Pkwy. Dallas, Texas 75214 – 469.868.6148
9.	G&S Business, LLC – Howell, David	6060 Forest Lane, Suite 892 Dallas, Texas 75230 – 469.977.8711
10.	G&S Business, LLC– Howell, David	6090 Campbell Rd. Suite 124Dallas, Texas 75248 – 972.818.3900
11.	Ft. Bend Fajitas, LLC – Middleton, Jason	8800 Katy Freeway Houston TX 77024 - 281-974-4945
12.	Ft. Bend Fajitas, LLC – Middleton, Jason	1214 W. 43rd. St. #1100 Houston, TX 77018 – 832.667.8818
13.	Ft. Bend Fajitas, LLC – Middleton, Jason	5710 Memorial #C Houston, TX 77005 – 281.974.4945
14.	Ft. Bend Fajitas, LLC – Middleton, Jason	14627 Memorial Dr. # A Houston, Texas 77079 - 346-229-4671
15.	Gonzalez Fajita Co, LLC – Gonzalez, John	711 East Southlake Blvd. # 100 Southlake, Texas 76092 – 817.410.3654
16.	Gonzalez Fajita Co, LLC - Gonzalez, John	6550 N. MacArthur Blvd. # 110 Irving, Texas 75039 – 214.484.2586
17.	G&S Business, LLC – Howell, David	1008 W. Hebron Parkway # 102 Carrollton, Texas 75010 – 972.695.6000
18.	FP Spring, LLC – Quintanilla, Robert & Andrea	4127 Riley Fuzzel Rd. # 400 Spring, Texas 77386 – 832.616.3083
19.	Ft. Bend Fajitas, LLC – Middleton, Jason	13201 BSE, LLC Cypress, TX 77433 281.213.4909
20.	SGDS Corporation, S., Steve	11022 Spring Cypress Rd. Tomball, Texas 77377 – 281.257.5520
21.	Lone Palm Fajitas 1, LLC – Enright, Christopher	4712 Colleyville Blvd. Colleyville, Texas 76034 - 682-325-4028
22.	Lone Palm Fajitas 1, LLC – Enright, Christopher	3634 Long Prairie Rd.#112Flower Mound, TX 75028-469-464-3098
23.	Acosta Endeavors Inc. – Acosta, Luis	2611 FM 1463 # 400 Katy, TX 77494 – 281.396.4441
24.	G & S Business, LLC – Howell, David	4150 Legacy Dr. Suite 416Frisco, Texas 75034 – 972.292.9384
25.	Ft. Bend Fajitas, LLC – Middleton, Jason	9615 Spring Green Blvd. Suite 300 Katy, Texas 77494 – 281.665.8415
26.	Trinity Restaurant Group, LLC – Fontana, Keith	7604 Milwaukee Ave #100 Lubbock, Texas 79424 – 806.701.5207
27.	QRA Ventures LLC - Quintanilla, Robert & Andrea	6850A FM 1960 Road E, Humble, Texas 77346 - (281) 570-6297
28.	FP Pittsburgh Flagship, LLC – Mabry, Chris	6298 Northway Mall Drive, Pittsburgh, PA 15237 - (412) 939-7383

29. Chicago Fajitas, LLC – Wyder, Teddy 3207 Lake Ave., #6a, Wilmette, IL 60091 – (224) 377-8376
30. MPB Fajita's, LLC – Blalock, Michael and Middleton, Jason 3736 Bee Cave Rd., Suite 2, West Lake Hills, TX 78746 – (737) 437-8376

LIST OF FRANCHISEES AND DEVELOPERS NOT YET OPEN
AS OF DECEMBER 31, 2024

Franchise Entity Name & Principal Owner	Proposed Store Address (if known)	City	State	Zip	Tel
B Street Group, LLC – Blaine Annett; 5 – locations	NA	Phoenix	AZ	NA	949.339.1803
Chicago Fajitas, LLC – Teddy Wyder; 3 – locations	NA	Chicago	IL	NA	612.599.3210
Legacy KC, LLC - Scott Keen; 2 – locations	NA	Kansas City	KS	NA	913.735.7528
FP Pittsburgh, LLC – Chris Mabry; 2 – locations	NA	Pittsburgh	PA	NA	832.443.0885
MPB Fajitas, LLC – Michael Blalock; 9 - location	NA	Austin	TX	NA	713.854.2315
Winmill, LLC - Cody Miller; 1- location	NA	Wichita Falls	TX	NA	940.867.0197
QRA Ventures, LLC; 1 – locations	NA	Kingwood	TX	NA	281.386.2638
G&S Fajitas, LLC – David Howell; 5 – locations	NA	DFW	TX	NA	214.763.0254
Trinity Restaurant Group, LLC- M. Humphries; 4 – locations	NA	West	TX	NA	325.574.0273
Lone Palm Fajitas, LLC – Chris Enright; 3 – locations	NA	DFW	TX	NA	918.671.4890
B Street Group, LLC - Blaine Annett; 10 – locations	NA	DFW	TX	NA	949.339.1803
Frajholdings, LLC – Anthony Compofelice; 2 – locations	NA	Houston	TX	NA	281.221.4399
GNG Times Hospitality Services, LLC; 8 – locations	NA	San Antonio	TX	NA	281.961.9349
Puerto Madero Group, LLC; Carlos Lujan; 3 – locations	NA	San Juan	Puerto Rico		713.206.3249

LIST OF FRANCHISEES AND DEVELOPERS WHO HAVE LEFT THE SYSTEM
AS OF DECEMBER 31, 2024

None.

State Effective Dates

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

This document is effective and may be used in the following states, where the document is filed, registered or exempt from registration, as of the Effective Date stated below:

State	Effective Date
California	
Hawaii	
Illinois	Pending
Indiana	
Maryland	
Michigan	
Minnesota	
New York	
North Dakota	
Rhode Island	
South Dakota	
Virginia	
Washington	
Wisconsin	

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.

Item 23

RECEIPT

This Disclosure Document summarizes certain provisions of the franchise agreement and other information in plain language. Read this Disclosure Document and all agreements carefully.

If Fajita Pete's Franchising LLC offers you a franchise, it must provide this Disclosure Document to you 14 calendar-days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale. [However, some state franchise laws require Fajita Pete's Franchising LLC to provide this Disclosure Document to you at the first personal meeting held to discuss the franchise sale or at least 10 business 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.]

If Fajita Pete's Franchising LLC does not deliver this Disclosure Document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and the appropriate state agency identified on Exhibit A.

The name, principal business address, and telephone number of each franchise seller offering the franchise are as follows: Pedro Mora and Joseph P. Eguia, Fajita Pete's Franchising LLC, 6719 Weslayan Street, Houston, Texas 77005, (281) 800-7774; and ______________________________ ____.

Issuance Date: April 23, 2025.

We authorize the respective state agents identified on Exhibit A to receive service of process for us in the particular states.

I received a Disclosure Document from Fajita Pete's Franchising LLC dated as of April 23, 2025, that included the following Exhibits:

Exhibit A	State Administrators/Agents for Service of Process
Exhibit B	Franchise Agreement
Exhibit C	Area Development Agreement
Exhibit D	Financial Statements
Exhibit E	Table of Contents – Operations Manual
Exhibit F	State Specific Addendum
Exhibit G	List of Franchisees and Developers

______________________	______________________
Date	Prospective Franchisee [Print Name]
	______________________
(Date, Sign, and Return)	Prospective Franchisee [Signature]

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______________________________	______________________________
Date	Prospective Franchisee [Print Name]
	______________________________
(Date, Sign, and Keep for your Records)	Prospective Franchisee [Signature]