Clean

FRANCHISE DISCLOSURE DOCUMENT

2017 MAY 30 AM 9 59

DEPARTMENT OF
BUSINESS OVERSIGHT
SAN FRANCISCO

FarmerBoys®

BREAKFAST, BURGERS & MORE

FARMER BOYS FOOD, INC
A California corporation
3452 University Avenue
Riverside, CA 92501
Telephone (951) 275-9900
Fax (951) 275-9930
http //www farmerboys com
franchise@farmerboys com

The franchisee will operate a fast casual restaurant The total investment necessary to begin operation of a Farmer Boys Food franchise is between $1,063,500 and $1,613,500 This includes $45,000 that must be paid to the franchisor or 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.**

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

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

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

Issuance Date May 26, 2017

STATE COVER PAGE

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

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

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

Please consider the following RISK FACTORS before you buy this franchise

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

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

3 THERE MAY BE OTHER RISKS CONCERNING THIS FRANCHISE

Effective Date _____

TABLE OF CONTENTS

ITEM		PAGE
ITEM 1	THE FRANCHISOR, AND ANY PARENTS, PREDECESSOR AND AFFILIATES	1
ITEM 2	BUSINESS EXPERIENCE	2
ITEM 3	LITIGATION	4
ITEM 4	BANKRUPTCY	6
ITEM 5	INITIAL FRANCHISE FEES	6
ITEM 6	OTHER FEES	7
ITEM 7	INITIAL INVESTMENT	10
ITEM 8	RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES	13
ITEM 9	FRANCHISEE'S OBLIGATIONS	17
ITEM 10	FINANCING	18
ITEM 11	FRANCHISOR'S ASSISTANCE, ADVERTISING, COMPUTER SYSTEM, AND TRAINING	19
ITEM 12	TERRITORY	26
ITEM 13	TRADEMARKS	27
ITEM 14	PATENTS, COPYRIGHTS, AND PROPRIETARY INFORMATION	29
ITEM 15	OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISED BUSINESS	30
ITEM 16	RESTRICTIONS ON WHAT YOU MAY SELL	30
ITEM 17	RENEWAL, TERMINATION, TRANSFER, AND DISPUTE RESOLUTION THE FRANCHISE RELATIONSHIP	31
ITEM 18	PUBLIC FIGURES	43
ITEM 19	FINANCIAL PERFORMANCE REPRESENTATIONS	43
ITEM 20	OUTLETS AND FRANCHISEE INFORMATION	44
ITEM 21	FINANCIAL STATEMENTS	47
ITEM 22	CONTRACTS	47
ITEM 23	RECEIPT	47

EXHIBITS

A	State Agencies/Administrators
B	Agents for Service of Process
C	Franchise Agreement
C-1	SBA Addendum to Franchise Agreement
D	Area Development Agreement
E	Sublease
F	Lease
G	Asset Purchase Agreements
H	Operations Manual Table of Contents
I	List of Franchisees
J	List of Corp and Affiliates' Restaurants
K	List of Former Franchisees
L	Financial Statements
M	Closing Questionnaire
N	State Specific Addenda
O	Receipts

FARMER BOYS®

ITEM 1
THE FRANCHISOR, AND ANY PARENTS, PREDECESSOR AND AFFILIATES

The purpose of this Disclosure Document is to familiarize you with important legal and business aspects of Farmer Boys Food, Inc , a franchisor, and of the franchise we offer To simplify the language, we will refer to Farmer Boys Food, Inc as "Farmer Boys," "we" or "us" and the person or company that is granted a franchise by Farmer Boys as "you " The word "you" does not include your owners, who will be described as "Related Parties " "Affiliate" means a company controlled by, controlling, or under common control with us The word "Predecessor" means a company from which we, within the past ten years, acquired, directly or indirectly, the major portion of our assets

We were incorporated in California on March 11, 1997 We do business under the name "Farmer Boys " We do not do business under any other name We have no Predecessors Our Affiliate, Andrew's Sons, Inc ("Andrew's Sons"), was incorporated in California on August 26, 1981

We do not ourselves operate any Farmers Boys restaurants However, our 3 wholly-owned subsidiaries FBF Elsinore, LLC, a California limited liability company, FBF Ontario, LLC, a California limited liability company, and FBF Jacinto, LLC, a California limited liability company (collectively, the "FBF Operating Affiliates") have operated Farmer Boys restaurants similar to the franchised restaurants since 2008, Unless otherwise indicated, "Affiliate" means Andrews Sons and all of the FBF Operating Affiliates

Our and the FBF Operating Affiliates' principal business office is at 3452 University Avenue, Riverside, CA 92501 Andrew's Sons is at 4335 E Airport Drive #102, Ontario, California 91761 Our affiliate, Havadjia Holdings, Inc , incorporated in California in 1985, operates one or more Farmer Boys restaurants through subsidiaries, and one or more of its other subsidiaries, including HHI Los Angeles, LLC, HHI Orange, LLC, HHI Riverside, LLC, HHI San Bernardino, LLC, HHI San Diego, LLC, and Kings HHI, LLC (collectively "Havadjia Holdings"), own or lease land that may be leased to us or our franchisees to operate FARMER BOYS® Restaurants Havadjia Holdings, Inc is at 3800 Orange Street, Suite 250, Riverside, CA 92501 The name and address of our agent for service of process in this state are stated in Exhibit B to this disclosure document

We have been in the business of offering and granting franchises and of training and otherwise helping our franchisees since September 17, 1997 We have never offered any other franchise As of January 29, 2017, we have 55 franchised Restaurants and 34 affiliate-owned Restaurants We have no other business

Andrew's Sons operates 8 of our 34 affiliate-owned restaurants that are similar to the franchised restaurant It has never offered franchises of any kind nor does it sell goods or services to FARMER BOYS® franchisees Havadjia Holdings has never

offered franchises nor operated a restaurant, but it does lease or sublease restaurant premises to some FARMER BOYS® franchisees None of the FBF Operating Affiliates have offered franchises in any line of business

The business you will operate under the franchise agreement is a family-oriented fast casual restaurant featuring freshly cooked, made-to-order hamburgers and other "made from scratch" breakfast, lunch, and dinner menu items The market served by the FARMER BOYS® Restaurant ("Restaurant") is the general public Your competitors will be other restaurants offering fast casual on-premises dining and drive-through and carry-out services

If you participate in our Area Development Program, we assign a defined area within which you must develop and operate a specified number of Restaurants in a specified Development Area For each Restaurant you open pursuant to the Area Development Agreement, you will sign a separate Franchise Agreement on the then current form used by us at the time, which may be different from the form of Franchise Agreement attached to this Franchise Disclosure Document, except to the extent otherwise provided in your Area Development Agreement

Except for state and local environmental and health and safety laws and regulations that are generally applicable to eating establishments, there are no laws or regulations that are specific to this business

ITEM 2
BUSINESS EXPERIENCE

Demetris Havadjias, CEO and Director

Demetris Havadjias is one of the original founders of Farmer Boys and has been our CEO since January 2006 and a Director since the company was formed in March 1997 From March 1997 until January 2006, he was our President He was also manager of Andrew's Sons from November 1989 until March 1997

Karen B Eadon, President and Chief Operating Officer

Karen B Eadon joined us as Vice President/Chief Marketing Officer in May, 2014 As of May 19, 2015, she became President and Chief Operating Officer of Farmer Boys From December, 2011 to February, 2014, she served as Vice President of Marketing for Mimi's Cafe in Irvine, California From October 2002 through October 2010, Karen was with El Pollo Loco, starting as Vice President of Marketing and ending as Sr Vice President / Chief Marketing Officer

Kenny Hom, Vice President of Operations

Kenny Hom has been the Vice President of Operations since August, 2014 Before joining us, from March 2014 to July 2014, he was the Vice President of Operations for 678 USA, a Restaurant company in Fullerton, California Prior to that,

from March 2010 to March 2014, Mr Hom was the Regional Director of Operations for Red Robin International, a Restaurant company in Greenwood Village, Colorado

Robert J Campos, Director of Franchise Sales

Robert Campos has served as our Director of Franchise Sales since September 2014 From February 2011 to September 2014, he was the Director of Franchise Sales for Fiesta Insurance Franchising Corp , an Insurance and Tax Franchise company in Huntington Beach, California

Joyce Dery, Director of Real Estate

Joyce Dery has served as our Director of Real Estate since December 2010 From July 2010 to December 2010, she was the Operations and Marketing Director for Dynasty Wealth Properties, a Real Estate company in Orange, California From February 2009 to February 2010, she was the Office Manager for Caduceus Medical Group in Yorba Linda, California

Rona Griego, Director of Construction

Rona Griego has served as our Director of Construction since February 2015 From November 2003 to September 2014, she was the VP of Construction and Facilities for SB Restaurant Co (Elephant Bar Restaurants), in Costa Mesa, California

Kristy Foster, Director of Purchasing

Kristy Foster has served as our Director of Purchasing since October 2004

Camille Chavez, Director of Training

Camille Chavez has served as our Director of Training since January 2008

Makis Havadjias, Director and Secretary

Makis Havadjias is one of the original founders of Farmer Boys and has been our Director since the company' inception in 1997 He has also been our Secretary since February 2004 and previously held various other positions from March 1997 until April 2006 He has also been a Manager of Andrew's Sons since 1983 and Chief Executive Officer of Havadjia Holdings since June 1985

Christakis Havadjias, Director

Christakis Havadjias is one of the original founders of Farmer Boys and became a Director of the company in March 1997 He previously held various other positions with the company from March 1997 until April 2006 He has also been Vice President of Andrew's Sons since 1981 and Secretary of Havadjia Holdings since June 1985

Haralambos Havadjias, Director

Haralambos Havadjias is one of the original founders of Farmer Boys and became our Director when the company was incorporated in 1997 He previously held various other positions with the company from March 1997 until April 2006 He has also been a Manager of Andrew's Sons since 1983 and a Director of Havadjia Holdings since June 1985

George Havadjias, Director and Chief Financial Officer

George Havadjias is one of the original founders of Farmer Boys and has served as our Director since March 1997 He has also been our Chief Financial Officer since February 2004 and previously held various other positions from March 1997 until April 2006 He has also been a Manager of Andrew's Sons, Inc , since 1983 and Chief Financial Officer of Havadjia Holdings since June 1985

Judy H Lewis, Chief Financial Officer

Judy H Lewis has served as our Chief Financial Officer since June 6, 2011 Before joining us, Ms Lewis was the Controller for Stater Bros Markets, a grocery chain in San Bernardino, California from November 1999 to May 2011

Lawrence A Rusinko, Vice President/Chief Marketing Officer

Lawrence A Rusinko joined us as Vice President/Chief Marketing Officer in June, 2015 From November, 2014 to June, 2015, he was self-employed as a Restaurant Marketing and Business Consultant Before that, from June, 2013 to October, 2014, he served as a Marketing Consultant for SSP America, in Landsdowne, Virginia From April, 2012 until May, 2013, he was self-employed as a Restaurant Marketing and Business Consultant From January, 2011 to March, 2012, he and his wife took time away from work to travel Mr Rusinko served as SVP of Marketing and Product Development for Rubios' Restaurants from 2005 until December, 2010

ITEM 3
LITIGATION

CONCLUDED ACTIONS

Farmer Boys Food Inc , Havadjia Holdings, Inc , Demetris Havadjia, Makis Havadjia a k a Mike Havadjia vs Abba Kader, an individual, Laguna Star, Inc (American Arbitration Association, Los Angeles, Case No 72 114 00540 08 JENF)

On March 7, 2008, our affiliate, Havadjia Holdings, Inc ("HHI"), filed an unlawful detainer action (Orange County Superior Court, Santa Ana, California, Case No 30-2008 00103696), against Laguna Star, Inc ("Laguna"), our franchisee and an HHI sublessee, seeking unpaid rent of $23,374, attorneys' fees, possession of the premises, and forfeiture of the agreement On May 22, 2008, HHI and we filed a demand for arbitration against Laguna, for unpaid royalties and advertising fund contributions, and

HHI transferred the unlawful detainer action to the arbitration for a combined demand of $60,000, plus costs and fees

Laguna and its principal, Abba Kader, who had guaranteed the franchise agreement and sublease, filed a separate court action (Orange County Superior Court, Case No 30-2008 00114759), but the matter was also transferred to the arbitration Their counter-claims principally alleged that we, HHI and Mike and Demetris Havadjia committed fraud, deceit and negligent misrepresentation, retaliation for franchise association activities, breach of the franchise agreement, breach of fiduciary duty, intentional interference with prospective economic advantage, conversion, unjust enrichment, and unfair and fraudulent business practices, and sought compensatory and punitive damages, attorneys' fees, and costs

On April 16, 2010, after hearing, the arbitrator without issuing any finding of fraud, deceit or misrepresentation or any other specific findings of fact or law, awarded us and HHI, jointly and severally against Laguna and Mr Kader, the sum of (a) $110,125 (net of $60,000 to Laguna against us), (b) $24,630 for our attorneys' fees and costs, plus (c) $33,778 as reimbursement of our half of the AAA administrative fees, arbitrator compensation and expenses of the arbitration

Kenny Dewan v Farmer Boys, American Arbitration Association 72 114 Y 00622 06 BEAH, Farmer Boys Food, Inc v Kenny Dewan, Rochika Dewan, Farm Fresh Restaurants, Inc et al, Orange County Superior Court of the State of California, Case No 07CC01946

In or about June, 2006, Kenny Dewan, a shareholder of a Farmer Boys' franchisee, filed a petition for arbitration before the American Arbitration Association alleging unspecified fraud and violation of the Franchise Investment Law by Farmer Boys Farmer Boys filed a counterclaim with the arbitration panel for monetary damages for breach of the franchise agreement In January, 2007, Farmer Boys filed a complaint against Farm Fresh Restaurants, Inc , as successor-in-interest to Kenneth Arvind Dewan, and his wife, Rochika Dewan, our former franchisee and their sublessees, John Castanis, Jenny Castanis, Theo J Castanis, dba John's Place (the "Castanis'"), alleging among other things, that Farm Fresh breached its post-termination obligations to Farmer Boys, by failing to comply with the terms of the Franchise Agreement and by misappropriating Farmer Boys' trade secrets and proprietary information Farmer Boys was granted a temporary restraining order and subsequent preliminary injunction preventing Farm Fresh and the Castanis' from using Farmer Boys proprietary materials and trade secrets On August 3, 2007, Farmer Boys amended its complaint to allege breach of franchise agreement, injunctive relief, tortious interference with contractual relations, interference with prospective economic advantage, and violation of Business & Professions code 17200, *et seq* In August, 2007, the parties agreed to settle their disputes with respect to all matters, and entered into a settlement agreement and mutual general release, pursuant to which the Dewans stipulated to a permanent injunction preventing them from using or disclosing any proprietary information or materials of Farmer Boys No sums of money were required to be paid

between Farmer Boys or the Dewans pursuant to the settlement The litigation and arbitration proceedings were dismissed by all parties in connection with the settlement

Other than these actions, no litigation is required to be disclosed in this Item

ITEM 4
BANKRUPTCY

No U S or foreign bankruptcies are required to be disclosed in this Item

ITEM 5
INITIAL FRANCHISE FEES

Franchise Agreement

When you sign the Franchise Agreement, you will pay us in cash or other form of payment that is immediately accessible to us, such as cashier's check or wire transfer, an initial fee of $45,000 for your first franchise and $25,000 for each subsequent franchise, less any applicable portion of a Development Fee that you have already paid Otherwise, the initial fee is fully earned and not refundable when paid, in consideration of administrative and other expenses incurred by us in entering into the Franchise Agreement, and for our lost or deferred opportunity to enter into the Franchise Agreement with others

Area Development Agreement

When you sign the Area Development Agreement, you will pay us in cash or another form of payment that is immediately accessible to us, such as cashier's check or wire transfer, a Development Fee in the sum of twelve thousand five hundred dollars ($12,500) multiplied by the number of Restaurants required to be opened during the Term according to the Development Schedule attached to the Area Development Agreement The Development Fee will not be refundable, but will be credited against your initial franchise fees, as described in each franchise agreement you sign (which may differ from the current form of Franchise Agreement attached to this Franchise Disclosure document) at the rate of $12,500 for each Restaurant opened under the Area Development Agreement, the total amount of the credits not to exceed the Development Fee

We may waive or reduce the initial fee for franchises granted to our Related Parties Otherwise, the initial fees are uniform for all franchises currently being granted

Asset Purchase Agreement

If you acquire a franchise for an existing FARMER BOYS® Restaurant owned by us or one of our affiliates, you will enter into an Asset Purchase Agreement under which you will pay a negotiated price for the assets and going concern value of that

Restaurant, no company-owned or affiliate-owned Restaurants were sold in our fiscal year ending January 29, 2017

ITEM 6
OTHER FEES

NAME OF FEE	AMOUNT OR FORMULA	DUE DATE	REMARKS[1]
Royalties	5% of Adjusted Gross Revenue[2]	Weekly	Collected by ACH (Automated Clearing House)
Marketing Fund	Currently 3% of Adjusted Gross Revenue	Weekly	Collected by ACH (Automated Clearing House)
Audit Cost	Actual Cost[3]	Upon demand	Only due if discrepancy exceeds 3%
Replacement Manager Training	Current training fee rates	When training begins	
Ongoing Training Fees[4]	Current training fee rates	At program	Continuing education will not be required more than twice a year and will not last more than three days
Farmburgerology	$35 - $50/month per Restaurant	Monthly	Collected by ACH (Automated Clearing House)
Annual Meeting	Not to exceed $500 a day	Before meeting	
Transfer Fee	50% of the then-current initial franchise fee unless transferee is existing franchisee, in which case fee is 20% of the then-current initial	Upon transfer	

NAME OF FEE	AMOUNT OR FORMULA	DUE DATE	REMARKS[1]
	franchise fee, entity transfers fee is $1,000		
Base Rent	As negotiated by the parties and specified on Schedule A to Lease or Sublease	Monthly	Payable to Havadiya Holdings or us if you rent your premises from one of us
Percentage Rent	See Note[5]	Annually	Payable to Havadiya Holdings or us if you rent your premises from one of us
Sublease Rent	See Note 6 $500-$2,000	Monthly	Payable to Havadiya Holdings or us if you sublet your premises from one of us
Interest on Late Payments	10% per year or highest amount allowed by law, whichever less	Upon billing	

1 All payments are imposed by and collected on our behalf or on behalf of an Affiliate unless otherwise stated Payments to us or an Affiliates are not refundable, refundability of payments to others depends on the arrangements you make with them Except for rent, all fees under Franchise Agreements currently being offered in this state are uniform However, (a) we reserve the right to reduce or waive the fees for certain Restaurants, and (b) payments, including Royalties and Marketing Fund contributions, by some existing franchisees who signed earlier forms of Franchise Agreement may be on different terms and rates as provided in their agreements

2 "Adjusted Gross Revenue" is defined in Appendix 1 of the Franchise Agreement and essentially includes all revenues received or receivable by you, whether in cash, credit, barter, or other means of exchange (and whether or not you receive payment), for all goods and services sold by your Restaurant, including Catering, take-out and delivery, or which are promoted or sold under any of the Marks, but excluding the following (i) sales taxes, value added or other tax, excise or duty collected from customers and paid to the government, (ii) tips, gratuities or service charges paid by customers and

turned over to your employees, (iii) proceeds from certain isolated sales of equipment and trade fixtures, and (iv) revenues received from sales of pre-paid gift cards and certificates in accordance with our policies (which shall be remitted by you to us or a designated supplier appointed to administer the Gift Card Program), provided, however, that revenues received by you upon redemption of such pre-paid gift cards and certificates are included in "Adjusted Gross Revenue "

3 Also, if underpayment exceeds 3%, we may require that from then on your annual financial statements be audited at your expense

4 Our current training fees are $350 00 per day and may increase during the term of your franchise agreement due to increases in labor and materials costs which necessitate reasonable increases in those fees to defray our increasing expenses over time

5 Percentage Rent under a Sublease (or Lease, as the case may be) with Havadjia Holdings or Farmer Boys Food, Inc is typically calculated as follows (although we and our affiliates reserve the right to calculate Percentage Rent differently in particular situations, e g , when it is a party to a master lease which itself contains percentage rent payments)

(a) Annual gross sales (amount received by Subleasee or Tenant and its related parties for all goods sold and services rendered from the premises during the year) less Two Hundred thousand dollars ($200,000)

(b) MINUS Sales tax and returns

(c) TIMES Four Percent (4%)

(d) MINUS Base Rent

(e) EQUALS Percentage Rent

If components (a through d) above do not exceed Base Rent, no Percentage Rent is payable

Percentage Rent is due, for each calendar year of the term of the Sublease or Lease, on the tenth (10^{th}) day of the following January A final Percentage Rent payment is due on the tenth (10^{th}) day of the month following expiration or termination of the Sublease or Lease If the first or last year of the term of this Sublease is not a full calendar year, the percentage rent, the Base Rent, and the two hundred thousand dollars ($200,000 00) will be prorated

6 If you sublet from us or our Affiliate, in order to defray some of our risks and administrative costs and expenses, your rent will be between $500 and $2,000 more than the base rent payable by us or our Affiliate to the Master Landlord

ITEM 7
INITIAL INVESTMENT
(THROUGH FIRST 90 DAYS)

EXPENSE	LOW	HIGH	METHOD OF PAYMENT	WHEN DUE	TO WHOM PAID
Initial Franchise Fee[1]	$25,000	$45,000	Single payment	At signing	Farmer Boys
Real Estate (includes security deposit and first months' rent on land lease)[2]	$20,000	$40,000	As arranged	At lease signing	Lessor
Furniture, Equipment and Signs[3]	$200,000	$460,000	As arranged	As arranged	Suppliers and Contractors, Lender
Construction of Building and Surroundings[4]	$600,000	$750,000	As arranged	As arranged	Contractors, Architects, Engineers, Govt Agencies, Lender
Insurance	$7,500	$12,000	Single payment	Before training begins	Insurance carriers
Initial Inventory	$15,000	$20,000	As arranged	As arranged	Suppliers
Training Expenses[5]	$90,000	$120,000	As arranged	At training	Hotel, Restaurants
Grand Opening Advertising	$4,000	$7,500	Single payment	One month after opening	Agencies and Media
Professional Fees[6]	$5,000	$20,000	As incurred	Before opening	Attorney[6] & Accountant

EXPENSE	LOW	HIGH	METHOD OF PAYMENT	WHEN DUE	TO WHOM PAID
Point of Sale[7]	$28,000	$40,000	Single payment	Before installation	POSitouch
Additional Funds[8,9]	$69,000	$99,000	As incurred	Varies	Employees, others
TOTAL Land, Lease, Construction Financed	$1,063,500	$1,613,500			

ALL FIGURES ARE ESTIMATES ONLY SBA financing may be available for the construction of building and improvements on leased real estate, as well as for the equipment and other initial expenses in opening the franchised restaurant Typical SBA financing will require a down payment of 20% of the project costs, with financing ranging from 20 to 25 years Interest rates vary You will also pay SBA guarantee fees, which are not included in the preceding table You should consult a lender to determine your qualifications for financing of this nature, as well as current financing costs Other than costs connected with financing, this Item shows all expenses through first 90 days of operation If you select a site on which we or our affiliate has already begun development, you will reimburse us or our affiliate any of the costs described in this table that we or our affiliate have already incurred

1 If you are purchasing franchises separately, the initial franchise fee for the first franchise is $45,000 and $25,000 for each subsequently purchased franchise However, if you are purchasing franchises under an Area Development Agreement, you must pay, in advance, $12,500 toward the initial franchise fee for each franchise to be developed under the Development Schedule when you sign the Area Development Agreement $12,500 of the fees paid in advance will be credited toward the initial franchise fee for each restaurant developed under the Agreement until all fees have been credited

2 Figures are based on assumption that real estate will be leased, that the value of the land is between $600,000 and $1,500,000, and that lessor will require an initial payment of one month's rent and a security deposit of one month's rent We and our affiliates also include the second and third months' rent Under some circumstances, we may decide to grant a franchise for a non-traditional location, such as a food court Real estate and improvement costs vary significantly in non-traditional locations and we

are not able to calculate reliable estimates of either required square footage or the costs of real estate under these circumstances

3 This category includes such items as food preparation and other kitchen equipment, dining room furniture, office equipment and janitorial equipment Total price of these items will range from $200,000 to $460,000

4 This category includes costs of constructing the building and other improvements on the real estate, architectural and engineering fees, sales tax deposits or bonds, construction permit, sewer hookup charges, and utility deposits Estimated total cost is $600,000 to $750,000 If you are entering into a franchise agreement in connection your purchase of an existing Restaurant from us or one or our franchisees, we may condition our consent to the transfer on you remodeling the exterior and interior of your Restaurant to conform to our current building design, trade dress, color schemes, presentation of Marks and public image These costs would be substantially less than the cost of initial construction in the chart above, but may include extensive structural changes to the Restaurant and replacement or modification of furnishings, fixtures and equipment, we would generally expect remodeling costs to be a minimum of $100,000 but may be significantly higher depending on how long it has been since the last remodel and the nature and extent of changes needed to conform the Restaurant to our current standards

5 This figure includes your costs of attending the franchise training program, and includes transportation, lodging, and meals while attending the program This also includes the cost to you of transportation and wages for pre-opening work and training for 20 cooks, 23 cashier servers and 4 shift managers, 1 assistant manager, and 1 general manager This will range from $90,000 to $120,000 Included are 90-120 days' wages for approximately 49 full time and part-time employees We relied on our management's experience in operating company and affiliated restaurants in estimating this figure You should review these figures carefully in light of local conditions, pay rates and the economy, consulting a business advisor if necessary

6 This figure includes attorney review and negotiation of the lease for the franchised restaurant If we or our affiliate have paid for lease review while developing your site, you will reimburse us or our affiliate for this expense rather than pay attorney directly

7 In addition to the purchase of the POS system, you must pay a monthly software license fee of $150 to Restaurant Magic

8 These funds include 3 months utilities, minimal staff to operate the restaurant for 90 days and estimated rent for 90 days

9 These amounts are the minimum recommended levels to cover your operating expenses for three (3) months However, we cannot guarantee that this amount will be sufficient Additional working capital may be required if sales are low or fixed costs are high The disclosure laws require us to include this estimate of all costs and expenses

to operate your franchise during the "initial phase" of your business, which is defined as 3 months or a longer period if "reasonable for the industry" We are not aware of any established longer "reasonable period," so our disclosures cover a 3 month period

ITEM 8
RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

You will not be required to purchase any goods or services from us or our Affiliates At your request and at our option, we may temporarily lend you trained employees to enable you to meet the Farmer Boys® System standards at opening or at other times when you are temporarily understaffed If this occurs, you must reimburse us for the employee's wages or salary while working in your Restaurant, a markup of three dollars an hour to compensate the employee for the inconvenience, and any incidental costs incurred by the employee in fulfilling the temporary assignment that he or she would not incur in his or her usual employment

As a condition of offering you a site that we have located, we are likely to require that you lease or sublease, at our sole option, the land on which you build your restaurant from us or our affiliate, Havadjia Holdings If you purchase an existing FARMER BOYS® Restaurant from us or our affiliate, you will purchase or lease the existing furnishings, fixtures and equipment

Other than described above, neither we nor any of our affiliates is a supplier of any goods or services you will sell or use in the Restaurant (other than services that are paid for by your franchise fees)

We require you to buy our proprietary products from a designated supplier to preserve secrecy For quality assurance and protection of the Marks, you must buy all food products, including meat, chicken, fish, dairy products, bread, fountain drinks, and produce, employee uniforms, and all dry goods and items bearing the FARMER BOYS® Marks, such as fountain cups, napkins, and tray liners, from approved or designated suppliers and according to our specifications

Lease or Purchase of Restaurant

To seek our approval of a site for your Restaurant, you must advise us in writing of the street address of the proposed site and provide a copy of any demographic information you have on the site and complete the FARMER BOYS® Evaluation Form We will base our approval of the site on the general guidelines for suitable franchise premises that are stated in the Manual

To seek our approval of the lease or purchase agreement for the premises of your Restaurant, you must provide a copy of the proposed lease or purchase agreement or a lease summary The terms of the lease or purchase agreement must allow you to operate profitably under the terms of the Franchise Agreement, in our reasonable discretion A lease must grant us an option, without cost or expense to us, to assume or authorize our assignee to assume the lease if the franchise agreement

expires or is terminated or if you should fail to cure a material default under the lease within the time allowed by the lease Your lessor and you may meet this requirement by adding the language to the lease as listed in the Lease Provisions in the form of Attachment 3 to the Franchise Agreement If you purchase the land and building or premises for the Restaurant, under the Franchise Agreement you grant us an option to purchase the property from you upon termination of the Franchise Agreement at fair market value

On occasion, we may locate sites for our franchisees If we locate and offer a site to you and you are interested in it, we or Havadjia Holdings, our affiliate, may lease or sublease the real property to you

Havadjia Holdings and we use a standard form for our leases to franchisees which is attached to this Disclosure Document as Exhibit F The leases offer rent at market rates, a 20-year initial term coupled with renewal options that bring the combined term to 40 years, and a security deposit equal to one month's rent, which may vary if it is a sublease

A copy of the standard sublease offered by us or Havadjia Holdings is attached to this Disclosure Document as Exhibit E It "passes through" the terms and conditions of the underlying lease, with specified exceptions The rent is marked up to defray our and Havadjia Holdings risk and expenses in administering the lease The security deposit is usually equal to one month's rent Late payments under the sublease will bear interest at 18% per year

Trade Dress and Restaurant Design

You must furnish and decorate the Restaurant according to our specifications and submit your plans and furnishings to us for our prior written approval If you employ an approved interior designer, your decoration and furnishings will be considered approved Once every five years, beginning on the date you first open for business, you, or your successor in interest must completely remodel the exterior and interior of your Restaurant to conform your building design, trade dress, color schemes, and presentation of Marks to our then current specified public image (or image implemented or in development at a Restaurant owned or operated by us or any of our Affiliates) Remodeling may include extensive structural changes to the Restaurant and replacement or modification of furnishings, fixtures and equipment and is in addition to the ongoing costs and expenses needed to maintain the condition and appearance of your Restaurant in a "like new" level of cosmetic appearance Generally, you should expect the cost of remodeling be a minimum of $100,000 and should set aside a reserve of at least $20,000 per year for this purpose (as adjusted annually by the CPI), however, depending on how long it has been since your last remodel and the nature and extent of changes we may adopt, your remodeling costs could be significantly higher Your remodeling dollars should be spent to update and revitalize the look of your Restaurant from the customer's point of view, with particular attention to interior and exterior paint, artifacts, furniture upholstery, table tops, valances, window shades, wall coverings, bathroom fixtures and tile, wainscoting and signs Payment for regular

maintenance and repair, such as replacement or repair of damaged wall coverings, tiles, equipment or upholstery, will not count toward your remodeling obligation

Insurance

You must purchase and maintain a policy or policies of comprehensive public liability insurance, including products liability coverage, covering all Restaurant assets, personnel, and activities on an occurrence basis with a combined single limit for bodily injury, death, or property damage of not less than two million dollars, including business interruption coverage for Continuing Royalties, Marketing Fund Contributions and other payments due to us during any period of interruption We may increase the minimum coverage requirement annually if necessary to reflect inflation or other changes in circumstances You must also carry (1) casualty insurance in a minimum amount equal to the replacement value of your interest in the Restaurant premises, including furniture, fixtures, and equipment, and (2) business interruption insurance in an amount sufficient to cover the rent of the Restaurant premises, salary, or wages of key personnel, and other fixed expenses In addition, you must maintain policies of workers' compensation insurance, disability insurance, and any other types of insurance required by applicable law Each insurance policy that is required under the Franchise Agreement must contain a provision that the policy cannot be canceled without ten days' written notice to us It must be issued by an insurance company that is admitted in California and that is rated B+ or better in Best's Key Rating, designate us as an additional named insured and be satisfactory to us in form, substance, and coverage You must deliver a certificate of the issuing insurance company evidencing each policy to us within ten days after the policy is issued or renewed

Vendor Rebates

Except for vendor rebates which are paid by vendors directly to restaurants based on the volume of products purchased by each restaurant, and other vendor rebates which we choose to contribute to the marketing fund, neither we nor any of our Affiliates receive any income based upon your purchase of items from approved or designated suppliers or according to specifications In the fiscal year ending January 29, 2017, our total revenue was $31,841,267 Of this, vendor rebates constituted $278,652, approximately 0 8% of our total revenue

Income to Affiliate or Company

In the fiscal year ending January 29, 2017, Havadjia Holdings derived $4,289,588 as rent for leases or subleases of real property to FARMER BOYS® franchisees Otherwise, Havadjia Holdings received no income from sale or lease of goods or services to franchisees during this period

In the fiscal year ending January 29, 2017, we derived $788,325 as rent for leases and subleases of real property to FARMER BOYS® franchisees, representing 2 4% of our total revenue of $31,841,267

Purchasing

We negotiate purchase arrangements with suppliers, including advantageous price terms, for the benefit of all members of the FARMER BOYS® System In some cases, all FARMER BOYS® Restaurants must purchase certain items, such as fountain drinks, from a designated supplier in return for a systemwide price discount

If you would like to use or sell any product in the categories described above from a supplier not previously designated or approved by us, you must request our approval of such proposed alternative supplier in writing, and, provide product specifications, sample products, and information about the supplier We reserve the right to inspect the supplier's facilities as a condition of approval We will promptly communicate to you either our approval or our reasons for withholding our approval Silence may not be construed as consent As a condition of approving a supplier or product, we will require you or the supplier to reimburse us for any expenses reasonably incurred by us in inspecting the supplier's premises, checking the supplier's credentials, or testing the product and the supplier's facilities As a condition of approving a supplier of any product that bears the Trade Name or Marks, we may require that the supplier sign our License Agreement Normally, we will not take longer than 60 days to evaluate a supplier We may withdraw our approval of a supplier if the supplier no longer meets our standards

We will communicate our standards and specifications in writing, usually in the Manual At our discretion, our specifications will also be made available to suppliers

We will not provide material benefits, such as renewal or granting additional franchises, to you based on your voluntary use of designated or approved sources Failure to purchase items from approved or designated suppliers or according to specifications when we instruct you to do so is a material event of default that may lead to termination of your franchise

Approximately 40% of your start-up expenses and 29% of your ongoing expenses will be for purchases from approved or designated suppliers Most of these purchases will be of food and paper supplies None of our officers owns an interest in any supplier

Gift Cards

You must sell or otherwise issue the stored value cards or gift cards and certificates (together "Gift Cards") that we provide or designate, and in the manner we specify You must honor all Gift Cards regardless of whether a Gift Card was issued by you or by another FARMER BOYS® Restaurant We reserve the right to discontinue or modify the Gift Card program at any time and upon notice to you, you agree to make the modifications we require

ITEM 9
FRANCHISEE'S OBLIGATIONS

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

OBLIGATION	SECTION IN FRANCHISE AGREEMENT	SECTION IN AREA DEVELOPMENT AGREEMENT	DISCLOSURE DOCUMENT ITEM
a Site selection and acquisition/lease	§5 2, 5 3	§ 6 1, Attachment 1	8, 10, 11
b Pre-opening purchases/leases	§9 5	N/A	5, 8
c Site development and other pre-opening requirements	§§5 1, 5 4, Article 6, Article 7	Attachment 2	11
d Initial and ongoing training	Article 6	N/A	11
e Opening	§5 4 2	n/A	11
f Fees	Article 4	Article 5	5, 6
g Compliance with standards and policies/Operating Manual	§7 2 3	N/A	8, 11, 16
h Trademarks and proprietary information	§9 1, Article 11	N/A	13, 14
i Restrictions on products/services offered	Article 9	N/A	8, 16
j Warranty and customer service requirements	§§6 1 2, 7 4 1, 7 12, 9 7	N/A	N/A
k Territorial development and sales quotas	N/A	§§ 4 2, 4 3, Attachment 2	12
l Ongoing products/service purchases	§§ 7 6, 7 7, 7 8, 9 1, 9 2, 9 3, 9 4	N/A	8

OBLIGATION	SECTION IN FRANCHISE AGREEMENT	SECTION IN AREA DEVELOPMENT AGREEMENT	DISCLOSURE DOCUMENT ITEM
m Maintenance, appearance, and remodeling requirements,	§§ 5 5	N/A	17
n Insurance	Article 16	N/A	7, 8
o Advertising	Article 8	N/A	6, 8, 11
p Indemnification	§17 2	N/A	13
q Owner's participation/management/staffing	§§6 1 1, 6 3 1, 7 2	N/A	15
r Records/reports	§10 4	N/A	6
s Inspections/audits	§§10 2, 10 3	N/A	6
t Transfer	Article 13	Article 7	6, 17
u Renewal	§§3 2, 3 3, 3 4, 3 5	§§ 4 5 2 4 6	6, 17
v Post-termination obligations	Article 15	§ 9 3	17
w Non-competition covenants	§12 1, 12 2, Exhibit E	Article 8	17
x Dispute Resolution	Article 18	§§ 11 7 – 11 9	17

ITEM 10
FINANCING

Neither we nor any of our affiliates or agents offer you, directly or indirectly, any financing arrangement, including loans, guarantees, leases and installment contracts We and our affiliates have no past practice or future intent of selling, assigning or discounting franchisees' financing arrangements to a third party We and our affiliates do not receive any consideration from any person for the placement of financing with the lender

FARMER BOYS® franchisees are eligible for expedited and streamlined SBA loan processing through the SBA's Franchise Registry Program,

www franchiseregistry com If you obtain financing through the SBA, you must sign the SBA Addendum to Franchise Agreement, attached as Exhibit C-1

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

Except as described below, we are not obligated to provide you with any assistance

Preopening Services

Site Approval

You must, on your own initiative and at your own expense, find and secure the site for the Restaurant Our prior approval of the proposed site and of the proposed lease must be obtained in writing We may not withhold our approval unreasonably (Franchise Agreement § 5 1 1, 5 3 5)

To seek our approval of a site that you find, you must complete and submit our Site Review Request We will base our approval of the site on the general guidelines for suitable franchise premises that are stated in the Manual By approving a particular site for the premises of a Restaurant, we do not warrant that the Restaurant operating at that location will be successful (Franchise Agreement § 5 1 1, 5 2)

To seek our approval of the lease or purchase agreement for the premises of the Restaurant, you must provide a copy of the proposed lease or purchase agreement or a lease summary The terms of the lease or purchase agreement must allow you to operate profitably under the terms of the Franchise Agreement, in our reasonable discretion A lease must grant us an option, without cost or expense to us, to assume or authorize our assignee to assume the lease if the franchise agreement is terminated or if you should fail to cure a material default under the lease within the time allowed by the lease Your lessor and you may meet this requirement by signing the addendum attached as Exhibit D to the Franchise Agreement to your lease If you purchase the land or premises for the Restaurant, under the Franchise Agreement you will grant us an option to purchase the property from you or your assignee upon termination of the Franchise Agreement (Franchise Agreement §5 3)

We will also look for suitable sites for FARMER BOYS® Restaurants If we find an appropriate site, we have the right to develop the site ourselves without offering it to you or to any other prospective franchisee We also have the right to offer any site we find to any franchisee or prospective franchisee we choose, in our sole discretion (Franchise Agreement §5 2)

If we offer a site to you, we are likely to require that you lease or sublease, at our sole option, the land on which you build your restaurant from us or our affiliate, Havadjia Holdings

You may have difficulty in finding a site without our assistance However, we cannot and do not guarantee that we will find a mutually acceptable site within your preferred geographic area or that we will offer a site to you By awarding you a site, we do not warrant that a Restaurant operating at that location will be successful

Some of the factors that we consider in approving a site are daytime and residential population, traffic patterns and counts, access and egress, size, parking, availability for lease or purchase, term, and applicable regulatory requirements

We will approve or disapprove your proposed site within 30 days after you present the information described above to us

If you and we do not agree about a site, you must find another site If you do not find a mutually satisfactory site in time to develop and open your Restaurant by the Scheduled Opening Date, we have the right to terminate the Franchise Agreement (Franchise Agreement § 5 4 5, 5 4 6) The Scheduled Opening Date is the earlier of (a) the date your Restaurant opens to the public or (b) 12 months after you sign your Franchise Agreement If you have obtained our approval to proceed with a site and have an agreement to purchase or lease signed by both you and the landlord/owner of the property under the approved terms and you have diligently sought all applicable permits and approvals but are unable to open for business within 12 months after signing the Franchise Agreement due to reasons beyond your reasonable control, then at your request, we will grant you up to a 120 day extension of the Scheduled Opening Date and the term of the Franchise Agreement provided you give written notice to us of your request to so extend and the reasons for such extension Your request must be made within 12-months following the date you signed the Franchise Agreement If all these conditions are met, we will not terminate your Franchise Agreement before the extended date

We estimate that the average length of time between signing of a franchise agreement and opening of a franchised business will be between 12 and 36 months Factors that may affect the length of time it takes to open include site location, lease or purchase negotiations, obtaining regulatory approvals and permits, and speed of construction

Training

The initial training program will take place at one of the company-owned or affiliate-owned FARMER BOYS® Restaurants (including E-learning) and at FARMER BOYS® headquarters before you open your first Restaurant The training program will cover the following

SUBJECT	INSTRUCTIONAL MATERIAL	CLASSROOM HOURS IN TRAINING CENTER	HOURS ON THE JOB	INSTRUCTION TIME IN RESTAURANT
Orientation	Manual, E-learning	4	2	3
Server/Cashier	Manual, E-learning	0	35	28
Prep/Salad/Steam Cook/Fry Cook	Manual, E-learning	0	45	36
Broiler Cook	Manual, E-learning	0	25	20
Middle Cook/Expediter	Manual, E-learning	0	75	60
Restaurant Management Training	Manual, E-learning	36	45	36
Franchise Business Management Training	Manual, E-learning	27	45	18
TOTAL HOURS	540	67	272	201

The entire franchisee training program consists of twelve weeks of pre-opening training and certification in a company restaurant during which we evaluate your restaurant position and management skills After that, we will award you a completion certificate, ask you to attend additional training or terminate your training, depending upon our assessment of your FARMER BOYS® skills and capabilities We encourage you to gain additional practical experience before the opening of your franchised Restaurant by working in FARMER BOYS® Restaurants in various job functions This experience will enable you to open your business far more successfully than you would otherwise and to avoid many mistakes commonly made by new Restaurant owners

Pre-opening franchisee training programs will be coordinated by the corporate training department and customized as necessary The twelve week training program is to be completed a minimum of five months prior to your projected restaurant opening date Upon completion of the twelve week training program, the corporate training

department will conduct a post-training evaluation to determine if additional training may be required, prior to the opening of the franchise unit

The primary instructional material for the initial training program will be the FARMER BOYS® Field Position Training Manual, Manager Resource Manual, Menu Build Manual and Prep Recipe Manual and e-learning courses There will be no additional charge for training material However, you and those of your employees who attend training must buy uniforms before training begins

The training program will be supervised by the Director of Training, whose experience is described in Item 2 of this disclosure document

You and your Designated Manager must attend initial training and complete the program to our satisfaction There will be no training fee for you and one other person, but if more than two people attend the training program or attend at different times, we may charge our then-current training fee for each additional person (Franchise Agreement §6 1 1) You must pay the wages of your employees and all incidental expenses you and your employees incur during training We will not compensate you or your employees for any work performed during training You must provide proof of Workman's Comp and General Liability insurance before beginning training, and provide a release of liability to Farmer Boys Foods Inc

We expect to require you to participate in ongoing additional training Attendance will be mandatory and there may be training fees You will be responsible for all incidental expenses you and your employees incur during training In addition, you must at our request pay fees for learning, communication and internet portals as they are developed

Manuals

We will lend you or make available to you on the FARMER BOYS® Learning Management System (LMS) Manuals containing explicit instructions for use of the Marks, specifications for goods that will be used in or sold by the Restaurant, some sample business forms, information on marketing, management, and administrative methods developed by us for use in the Restaurant, names of approved suppliers, and other information that we believe may be necessary or helpful to you in your operation of the Restaurant We will revise the Manuals periodically to conform to the changing needs of the Farmer Boys® System and will distribute updated pages containing these revisions to you, or, if the Manual has been placed on the FARMER BOYS® LMS, will post revised pages there Any paper copy of the Manual must be kept in a secure place in the Restaurant The Table of Contents of our current Manuals is attached as Exhibit H

Farmburgerology Learning and Communication Portal (LMS)

Monthly fees paid per restaurant by Franchisee through ACH (Automated Clearing House)

Selection and Installation of Electronic Cash Register and Computer

You must obtain, install and use the computer system with minimum software and hardware configuration that we require or approve in writing You must obtain the POSitouch POS system The POS system is used for recording sales and other recordkeeping and central functions You must connect the POS System to a modem or other communications medium capable of accessing the Internet You must allow us (or our designee) to access your POS System and your files via any means, including electronic polling communications You may be required to purchase additional equipment that enables you to sell and redeem gift cards or other stored value cards, credit and debit cards from vendors we approve The approximate initial cost to purchase the computer hardware and software is between $28,000 and $40,000, and you must license related Restaurant Magic software at a cost of $150 per month We may change POS companies, although you will not be required to change if your system is less than 5 years old

We have the right from time to time, and at any time, to retrieve, poll and use for any purpose all data and information from your computer system as we, in our sole discretion, deem necessary or desirable, with the costs of such retrieval to be borne by us There are no contractual limitations on our right to access the information and data To ensure full operational efficiency and optimum communication capability between computer systems installed by you, us and other franchisees, you must, at your own expense, keep the computer system in good maintenance and repair, and promptly install such upgrades, additions, changes, modifications, substitutions and/or replacements to the computer hardware, software, networking/connectivity devices and configurations, telephone and power lines, and other computer related facilities as we may direct (Franchise Agreement §5 5) This will occur no more often than once every five years We cannot estimate the cost of maintaining, updating or upgrading the computer system or its components because it will depend on your repair history, local costs of computer maintenance services in your area and technological advances which we cannot predict at this time

You will use the POS System to collect sales information by major product and time of day Secondarily, you may use it for payroll and inventory functions Although, under the Franchise Agreement, we have an independent right to access your cash register data (Franchise Agreement §7 3 1), access will actually be possible only with your cooperation

We have established an LMS system at http //www farmerburgerology com You must purchase a computer system, peripherals and software that will support your use of the LMS Most commonly used browsers will work You must maintain broadband (cable or DSL) internet access and wi-fi access in the dining room

Opening Assistance

For your first Restaurant, at no additional charge, we will place an experienced manager in your restaurant for between two weeks to one month beginning around opening The manager will further train you and your employees and help you with the operational and administrative issues confronting you as a new business owner (Franchise Agreement §6 2)

Post-opening Services

Consultation

We, for no additional charge, will use our best efforts to make our personnel available to you for consultation throughout the term of the franchise in a timely manner We will provide you with information on training employees, offer guidance on pricing strategies, and advise you of improvements and developments in the fast casual restaurant business In addition, we may research and develop new food items for addition to your menu (Franchise Agreement §6 3 3 and §7 8 4)

Approved Suppliers

We will give you, in the Manual or otherwise in writing, a list of names and addresses of approved suppliers of specified goods and services that you will use or sell in your Restaurant In approving a particular supplier, we expressly disclaim any warranties or representations as to the condition of the goods or services sold by these suppliers, including express or implied warranties as to merchantability or fitness for any intended purpose You agree to look solely to the manufacturer of goods or the supplier of services for the remedy for any defect in the goods or services (Franchise Agreement §9 1)

Proprietary Products Availability

We will use our best efforts to ensure that we, our Affiliate, or a designated supplier will at all times have a supply of Proprietary Products for sale to you (Franchise Agreement §9 2)

Marketing Services

We have a marketing program which is implemented by an advertising agency or Farmer Boys' Marketing and Advertising Department It produces point-of-sale, outdoor, radio, and newspaper materials as well as broadcast-ready commercials We also plan advertising campaigns and buy media space and time In addition, we will provide Marketing materials for you to place in appropriate regional and local media There is a franchisee advisory council to advise us on Marketing Its recommendations are non-binding Current members of the Advisory Council may recommend additional or replacement members to the Advisory Council, however, we have sole discretion to select the members of the Advisory Council We may form, change or dissolve the

Advisory Council, or establish a marketing subcommittee of the Advisory Council at any time in our sole discretion

With our prior written approval, you may also use advertising materials that you prepare You agree to submit to us copies of all advertising materials that you propose to use at least two weeks before the proof deadline We will review the materials within a reasonable time and will promptly notify you whether we approve or reject them We may not withhold our approval unreasonably (Franchise Agreement §8 1)

You must spend at least one percent of your Adjusted Gross Revenue on local advertising (Franchise Agreement §8 2 1)

We will administer the marketing fund that will pay for the marketing program (Franchise Agreement §8 3) New franchisees and new company-owned and affiliate-owned Restaurants will contribute three percent of their Adjusted Gross Revenue to the marketing fund Some Restaurants that opened in prior years pay two percent The 8 restaurants owned by Andrew's Sons contribute substantially, but not on a proportional basis with franchisee-owned Restaurants As of January 29, 2017, Andrew's Sons 8 legacy locations are contributing about $11,200 a month to the marketing fund All other FBF Affiliate Operated Restaurants contribute to the Marketing Fund at the same percentage rate that franchisees were required to pay under our then-current Franchise Agreement, which may be different from the form of Franchise Agreement attached to this Franchise Disclosure Document, when each FBF Affiliated Operated Restaurant opened to the public

The marketing program is regional in scope at the present time, but it may broaden its scope to national marketing as we expand

We will prepare an annual accounting for the Fund The report will not be audited Most of the money in the marketing fund will be spent during the year in which it is contributed Any unspent money will be retained in the account for use during the following year

During the most recent fiscal year, January 29, 2017, 43 5% of the Fund's money was spent on media, 21 1% on production of advertising materials, 23 5% on public relations, research, consulting, and local store marketing and 11% on salaries administration Neither we nor Andrew's Sons receives payment for providing goods to the marketing fund, but the Fund may be used to compensate us for an allocable portion of the salaries of marketing, accounting and other personnel who perform functions in support of the Fund personnel (Franchise Agreement § 5 6 1) Cooperative advertising payments from vendors will be added to the Fund or used in another manner that benefits all members of the FARMER BOYS® System

There is no requirement that we spend a specified amount of marketing fund money on advertising in your geographic area We will not use money from the marketing fund to promote franchise sales

ITEM 12
TERRITORY

Franchise Agreement

Under the Franchise Agreement, we grant you a franchise to operate a Restaurant at an Approved Location within a Territory with a one-mile radius No one else's Restaurant will be authorized within your Territory, but your Territory may overlap someone else's Territory You may not relocate your Restaurant without our express written consent, which will not be unreasonably withheld

With the exceptions described in the following paragraph, we agree not to authorize any other franchisee to base a similar or competitive restaurant within the Territory, base any company-owned similar or competitive restaurant within the Territory, or allow any other franchisee or company-owned similar or competitive restaurant to relocate to a site within the Territory

An exception to the exclusive rights described in the previous paragraph is that we reserve the right to locate or relocate any company-owned or franchised Restaurant to any airport, municipal facility, public transportation facility, stadium, major, regional or enclosed mall, theme or amusement park, county or state fair, special event location, mobile unit, kiosk, or college or other institution of higher education or other non-traditional venue regardless of their location within the Territory Further, we reserve all rights not expressly granted in the Franchise Agreement, including the right to sell Proprietary Products through any means of distribution not specifically prohibited by another provision of the Franchise Agreement, including via the internet, grocery and retail stores, catering sales, wholesale sales and other alternative methods of distribution You will not receive an exclusive territory You may face competition from other franchisees or franchisor-owned outlets, or from other channels of distribution or competitive brands that we control

You will not be restricted or prohibited from accepting orders from outside your Territory, except that you may not solicit or accept orders through an Internet site or at wholesale except as permitted under our express written policies and procedures

The continuation of your rights within the Territory does not depend on achievement of a certain sales volume, market penetration, or other conditions Your Territory may not be modified except by written agreement signed by both you and us You will have no option, or rights of first refusal, to acquire additional franchises

Area Development Agreement

Under the Area Development Agreement, we grant to you and you accept the right, during the term of the Area Development Agreement, to develop Restaurants in a specified non-exclusive Development Area You will not receive an exclusive development area You may face competition from other franchisees or franchisor-owned outlets, or from other channels of distribution or competitive brands that we control

If you fail to meet your Development Schedule, we may terminate the Area Development Agreement In this case, if your Franchise Agreements are still in effect, you may continue to operate your franchised Restaurants within your former Development Area

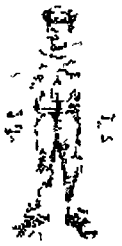
There are no circumstances that would permit us to modify your Development Area while the Agreement is in effect

ITEM 13
TRADEMARKS

Under a Trademark License Agreement that is effective September 1, 1997, Andrew's Sons licenses to us the right to use the FARMER BOYS® Marks and to sublicense them to franchisees for use as part of their trade names The license is coextensive with the term of any outstanding FARMER BOYS® franchise agreement

We grant you the right to operate the Restaurant under the name FARMER BOYS® You may also use the current or future trademarks to operate your Restaurant By principal trademark, we mean primary trademarks, service marks, names, logos, and commercial symbols used to identify your Restaurant Andrew's Sons has registered the following principal trademarks on the Principal Register of the U S Patent and Trademark Office

MARK	REGISTRATION NUMBER	REGISTRATION DATE
FARMER BOYS WORLDS GREATEST HAMBURGERS	1,686,851	May 12, 1992 Renewed July 24, 2002 Renewed April 25, 2012
FARMER'S BURGER	1,720,523	September 29, 1992 Renewed July 19, 2012

MARK	REGISTRATION NUMBER	REGISTRATION DATE
	1,936,978	November 21, 1995 Renewed November 21, 2015
FASTAURANT	2,099,413	September 23, 1997 Renewed June 23, 2007
FARMER BOYS	2,546,629	March 12, 2002 Renewed March 27, 2012
FARMER BOYS BREAKFAST, BURGERS AND MORE	4,190,116	August 14, 2012
	4,536,514	May 27, 2014
	4,536,515	May 27, 2014

Andrew's Sons has filed all required affidavits of use None of these principal trademarks is subject to any pending material federal or state court litigation

No agreements limit our rights to use or sublicense the use of our trademarks or trade name

As of the date of this disclosure document, there are no currently effective material determinations of the United States Patent and Trademark Office, the

Trademark Trial and Appeal Board, or any state trademark administrator or court, or any pending infringement, opposition, or cancellation proceeding, or any pending material federal or state court litigation involving the trademarks, except as described in the following sentence

We are not aware of any superior prior rights or infringing uses that could materially affect your use of the Marks

You must follow our rules when you use these principal trademarks You may not use the Farmer Boys® Marks in connection with the sale of any unauthorized product or service in a manner not authorized in writing by us You may not use any other trade name or marks in connection with the operation of your Restaurant

Under the Franchise Agreement, you agree to notify us immediately in writing if you become aware of any unauthorized use of our Trade Name, Marks, or the Farmer Boys® System You must promptly notify us in writing of any claim, demand, or suit against you or against your principals for your use of the Trade Name, Marks, or the Farmer Boys® System We will indemnify and hold you harmless from all direct expenses and liabilities arising from or in any way connected to any third party claim that your operation of a Restaurant infringes our intellectual property rights or misappropriates our trade secrets If you are made a party to a legal proceeding in connection with a claim of this type, we will hire counsel to protect our interests and will defend you at our own expense You will be bound by any settlement negotiated by us but, we will reimburse you for your direct cost of compliance with the settlement agreement

We have invested a great deal of time, energy, and money in the promotion and protection of our Trade Name and other Marks We do not intend to change them However, rights in intangible property such as the Trade Name and Marks are often difficult to establish and defend and changes in the cultural and economic environment within which the Farmer Boys® System operates or third party challenges to our rights in the Marks may make it desirable or necessary to change the Trade Name and Marks We therefore have the right to change our Trade Name and Marks and the specifications for each when we believe that the changes will benefit the Farmer Boys® System You must promptly conform, at your own expense, to any such changes

ITEM 14
PATENTS, COPYRIGHTS, AND PROPRIETARY INFORMATION

We have not registered any patents or copyrights We claim common-law copyrights for our Manuals and Confidential Materials and Practices (defined below)

As a franchisee, you may use our Manuals, recipes and other proprietary information Although we have not filed an application for copyright for the Manuals, we claim common law copyrights in the Manuals and the information contained in the Manuals is proprietary All Intellectual Property rights in and to the recipes and the methods and specifications for preparation of such menu items shall belong to us

You may not copy, divulge or use any confidential information, which may include our Policies and the contents of our Manuals, recipes, menus, marketing concepts, and operating methods and techniques (the "Confidential Materials and Practices") during or after the term of your Franchise Agreement, except in connection with the operation of your Restaurant pursuant to a valid Franchise Agreement You must follow all reasonable procedures we prescribe to prevent unauthorized use and disclosure of our Confidential Materials and Practices You must inform your employees to whom the information, or any of it, is made available of this obligation of confidence Related Parties must sign noncompetition and confidentiality agreements

There are no infringing uses actually known to us that could materially affect your use of the copyrights, trade secrets, processes, methods, procedures, or other proprietary information described above There are no agreements currently in effect that limit our rights to use or license the above-mentioned copyrights in any manner

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

You or, if you do not qualify, in our sole discretion, to serve as general manager of your Restaurant, your Designated Manager must personally supervise your Restaurant We recommend and may require that your Designated Manager have an equity interest in the Restaurant Your original Designated Manager must complete the initial training program to our satisfaction, but replacement or successor managers do not have to do so However, they must be certified by us, which may mean testing or supplemental training

Once you have opened and are operating your sixth (6^{th}) Farmer Boys® restaurant, you will be required to hire a multi-unit supervisor who will serve as a Multi Unit Manager, overseeing the operations of all six (6) of your Farmer Boys® restaurants Anyone serving in the capacity of a Multi Unit Manager must complete the training program we require to our satisfaction, but replacement or successor managers do not have to do so However, they must be certified by us, which may mean testing or supplemental training Your Designated Manager and Multi Unit Manager must sign the Nondisclosure and Noncompetition Agreement attached to the Franchise Agreement

If we determine that a Designated Manager or Multi Unit Manager is not managing your Farmer Boys® Restaurant(s) in accordance with our standards of operation, we will advise you and you must immediately take steps to correct the situation Failure to comply with this provision may lead to default and eventual termination of your franchise rights

ITEM 16
RESTRICTIONS ON WHAT YOU MAY SELL

You must offer and sell all the products and services and only the products and services that we have authorized you to provide If you would like to use or sell any

product which is sold by a supplier not previously designated or approved by us, you must advise us of this fact and, upon our request, give us product specifications, sample products, and/or information about the supplier We will promptly communicate to you either our approval or our reasons for withholding our approval Silence may not be construed as consent As a condition of approving a supplier, we will require you to reimburse us for any expenses reasonably incurred by us in inspecting the supplier's premises, checking the supplier's credentials, or testing the product As a condition of approving a supplier of any product that bears the Trade Name or Marks, we may require that the supplier sign a License Agreement on a form we prescribe

You must operate the Restaurant in total compliance with the standards and specifications stated in the Manual We may make changes in these standards and specifications, when, in our reasonable discretion, change is needed for the continued success and development of the Farmer Boys® System The changes may necessitate the purchase of equipment, supplies, furnishings or other goods, completion of additional training by your employees, or other cost to you You must promptly conform to the modified standards and specifications at your own expense

There is no restriction as to whom you may sell goods or services

ITEM 17
RENEWAL, TERMINATION, TRANSFER, AND DISPUTE RESOLUTION
THE FRANCHISE RELATIONSHIP

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

FRANCHISE AGREEMENT

PROVISION	SECTION IN FRANCHISE AGREEMENT	SUMMARY
a Length of the Franchise Term	§3 1	Term is 20 years
b Renewal or extension of the term	§3 2	If you meet conditions, you can renew twice for 10-year terms
c Requirements for you to renew or extend	§§3 2-3 4	You must have complied with your obligations during the term of your Franchise Agreement, remodel to our then-current standards, not have committed 3 or more material defaults of your Franchise Agreement during any 36-month period, comply with our

PROVISION	SECTION IN FRANCHISE AGREEMENT	SUMMARY
		then-current training requirements, sign a general release and successor franchise agreement, which may differ from the current form of franchise agreement, pay renewal fee, and execute and return a sublease or amendment to sublease, if applicable
d Termination by you	§14 8	You may terminate if we materially default, and if we do not cure the default within 60 days after our receipt or written notice from you detailing the alleged default
e Termination by us without cause	None	N/A
f Termination by us with cause	§§14 1 – 14 7	We can terminate only if you default under your Franchise Agreement
g "Cause" defined – curable defaults	§14 4	You have 5 days to cure non-payment of fees and 10 days to cure defaults not listed in Section 14 2 or 14 3 of your Franchise Agreement
h "Cause" defined-non-curable defaults	§§14 2 and 14 3	Non curable defaults 14 2 (i) bankruptcy or insolvency, (ii) unsatisfied judgment, (iii) seizure, take-over or foreclosed upon (iv) a levy of execution of attachment, (v) unreleased mechanics lien or action to foreclose, (vi) if you allow any judgment to be entered against us or our affiliates, relating to your Licensed Restaurant, (vii) condemnation, (viii) imminent danger to the public health and safety, (ix) felony or any other crime or offense, (x) breach of confidentiality or non-competition provisions, (xi) abandonment, (xii) Assignment without our consent, (xiii) repeated defaults, event if cured, (xiv)

PROVISION	SECTION IN FRANCHISE AGREEMENT	SUMMARY
		violation of law not cured within 10 days, (xv) sale of unauthorized products, (xvi) knowingly maintaining false books, or certain underreporting or under-recording, (xvii) trademark misuse, (xviii) misrepresentations in acquiring the franchise, (xix) failing to complete training, and (xx) failing to meet Financial Covenants 14 3 1 if you (a) abandon the Restaurant, (b) purport to make any Assignment without our prior written consent, (c) default in any obligation as to which you previously received 2 or more written notices of default within the preceding 12 months, (d) fail for 10 days after received notice of noncompliance from us or any governmental or quasi-governmental agency or authority, to comply with any federal, state or local law or regulation applicable to the operation of your Restaurant, (e) continue to sell or again sell any unauthorized products to the public after previous written notice of the sale of unauthorized products, (f) you are shown by an audit or investigation to have knowingly maintained false books or records, submitted false reports, or understated or failed to report Adjusted Gross Revenue, or on 3 or more occasions in any 36 month period, underreport or underrecord by 2% or more, or on any single occasion by 5% or more, (g) materially misuse or make unauthorized use, or otherwise materially impair the goodwill associated with the Marks or our rights in the Marks, or take any action reflecting materially and unfavorably on

PROVISION	SECTION IN FRANCHISE AGREEMENT	SUMMARY
		the operation and reputation of your Restaurant, the System, or the "FARMER BOYS®" brand generally, or make unauthorized use, disclosure, or duplication of our "Trade Secrets", including acts of your employees or others if Franchisee fail to exercise best efforts to prevent the same, (h) make any material misrepresentations in acquiring your franchise, (i) your conduct your Restaurant in a way which poses imminent danger to the public health, or (j) or your Operating Principal or Designated Manager fails to complete the Initial Training Program to our satisfaction before you open your Restaurant
i Your obligation on termination/nonrenewal	Article 15	You must stop using our Marks, pay all amounts due to us, return the Manuals, training and promotional material to us, de-identify your Restaurant, at our election, sell equipment and furnishings that we designate to us, assign to us (or, at our election, terminate) all voice and data telephone numbers and listings used in connection with your Restaurant, sign and deliver to us all documents that must be filed with any governmental agency indicating that you are no longer licensed to use our Marks See also "r" below
j Assignment of contract by us	§13 1	No restriction on our right to assign
k "Transfer" by you – defined	§13 2 1	Includes transfer of the agreement or change in ownership of a franchisee which is an entity
l Our approval of your	§13 2	Transfers require our express written

PROVISION	SECTION IN FRANCHISE AGREEMENT	SUMMARY
transfer		consent
m Conditions for our approval or transfer	§§13 2-13 4	New franchisee must qualify, assume the Franchise Agreement or sign a new Franchise Agreement, pay a $6,000 administrative/transfer fee, complete training and refurbish the Restaurant You must provide us with an estoppel, pay all amounts then-due to us, sign a general release, provide us with all documents and material information that we request regarding the transferee, the purchase price, and the terms of the transfer, and you must not be in default of the Franchise Agreement (See also "n" and "r" below) If the Franchise Agreement was signed pursuant to an Area Development Agreement, all related Franchise Agreements must be assigned to the same assignee With our written consent, you may transfer a franchise agreement to an entity of which you directly own 100% interest for convenience of ownership All holders of a 10% or greater interest must sign a guaranty You must reimburse us for all costs and expenses that we incur in connection with such a transfer, including attorneys' fees Before you may offer any shares in your company by a private offering, you must provide us with copies of all offering materials, indemnify us and any related persons in connection with the offering, and pay us a non-refundable review fee of $10,000 (or our actual costs if greater) as well as a

PROVISION	SECTION IN FRANCHISE AGREEMENT	SUMMARY
		transfer fee, if applicable
n Our right of first refusal to acquire your business	§13 2 3(c)	We can match any offer for your business
o Our option to purchase your business	§§5 3 5	If you or your Affiliate owns or purchases the land, building or premises for your Restaurant, you will grant us an option to purchase the property upon termination or expiration of the Franchise Agreement at its appraised "Fair Market Value" (*i e* , as determined solely by reference to your Restaurant without attributing any value to (a) any goodwill or other value attributable to the FARMER BOYS® System or the Marks other than the right to utilize the FARMER BOYS® System and Marks during the remaining term of the Franchise Agreement, (b) any rights or efficiencies you may enjoy because you (or any affiliate) may operate more than one FARMER BOYS® Restaurant, or (c) any "highest and best use" value of the property if it were used for purposes other than as a restaurant An appraiser may use a bona fide third-party offer to purchase the Assets in its determination of Fair Market Value if and only if you delivered such third-party offer to us before exercising the purchase option
p Your death or disability	§14 3 2	Your heirs have 9 months after your death or legal incapacity to enter into a new franchise agreement, if the heirs meet our standards and qualifications If they do not meet our standards and qualifications, they may sell to a person approved by us See "m" above

PROVISION	SECTION IN FRANCHISE AGREEMENT	SUMMARY
q Noncompetition covenants during term of franchise	§12 1, Exhibit E	Unless we otherwise consent, you can not engage in "Competitive Activities"(*i e* , owning, operating, lending to, advising, being employed by, or having any financial interest in (i) any Restaurant that offers or sells burgers or breakfast, (ii) any family dining restaurant, except any "grandfathered" restaurant(s) identified on Exhibit G to the Franchise Agreement "Competitive Activities" exclude investment in an Entity traded on any national securities exchange if your owners are not controlling persons of such Entity and (ii) if the investment does not, directly or indirectly, exceed 5% of any class of securities of such Entity
r Noncompetition covenants after franchise is terminated or expires	§12 1 2, Exhibit E	No involvement in competing business for 24 months within 3 miles of any Restaurant
s Modification of the agreement	§19 8	The Franchise Agreement may be modified only by written agreement between the parties
t Integration/merger clause	§19 8	All agreements between the parties are in the Franchise Agreement and its exhibits Nothing in the Franchise Agreement or in any related agreement is intended to disclaim the representations made in this franchise disclosure document Only the terms of the franchise agreement are binding (subject to state law) Any representations or promises outside of the disclosure document and franchise agreement may not be enforceable

PROVISION	SECTION IN FRANCHISE AGREEMENT	SUMMARY
u Dispute resolution by arbitration or mediation	Article 18	Except for certain claims, all disputes are subject to binding mediation and arbitration in Riverside, California, following preliminary negotiation procedures
v Choice of forum	Article 18	Mediation and arbitration in Riverside, California
w Choice of law	§19 7	California law applies, except for the provisions respecting non-competition, which are governed by local law of your location

AREA DEVELOPMENT AGREEMENT

PROVISION	SECTION IN AREA DEVELOPMENT AGREEMENT	SUMMARY
a Length of the term	§4 1, Exhibit B	Typically 5 years or until you sign a Franchise Agreement for your last Restaurant necessary to satisfy your Development Obligation, whichever is earlier
b Renewal or extension of the term	§§2 4, 4 2	You do not have the right to renew your Area Development Agreement However, if we determine that further development of your Development Area is desirable, and you are not in default, we will offer you the opportunity to develop additional Restaurants Unless we consent, you may not open more than the total number of Restaurants comprising your Development Obligation
c Requirements for you to	§§4 3, 4 4	You must sign a new Area Development Agreement on our then

PROVISION	SECTION IN AREA DEVELOPMENT AGREEMENT	SUMMARY
renew or extend		current form, which will contain your additional development obligation You and your affiliates who have a currently existing franchise agreement or area development agreement with us must sign a general release
d Termination by you	N/A	None
e Termination by us without cause	N/A	None
f Termination by us with cause	§9 1	We can terminate if you or any of your affiliates materially default under the Area Development Agreement, an individual Franchise Agreement, or any other agreement with us or any of our affiliates
g "Cause" defined – curable defaults	§9 1	You have 5 days to cure non-payment of fees and 10 days to cure any other default (except certain non-curable defaults – see "h"), provided that a breach in the performance of your franchise or other agreement will be controlled by the notice and cure provisions of such agreement
h "Cause" defined – non-curable defaults	§ 9 1	Non curable defaults include unapproved transfers, failure to meet your development obligations, any breach of unfair competition provisions, and failure to meet Financial Covenants
i Your obligation on termination/nonrenewal	§4 5	You will have no further right to develop or operate additional Restaurants You may continue to own and operate all Restaurants pursuant to then existing Franchise Agreements

PROVISION	SECTION IN AREA DEVELOPMENT AGREEMENT	SUMMARY
j Assignment of contract by us	§ 7 1	No restriction on our right to assign
k "Transfer" by you – defined	§ 7 3	Includes transfer of the agreement or change in ownership of a franchisee which is an entity
l Our approval of your transfer	§ 7 3	Transfers require our express written consent, in our sole discretion
m Conditions for our approval or transfer	§§ 7 2, 7 3	You may transfer/assign only with our written consent, and you must pay a $6,000 transfer fee, and make a simultaneous assignment of the Area Development Agreement and all Franchise Agreements signed pursuant to the Area Development Agreement to the same assignee With our written consent, you may transfer a franchise agreement to a 100% owned entity for convenience of ownership All holders of a 10% or greater interest in the new franchisee must sign a guaranty You must reimburse us for all costs and expenses that we incur in connection with such a transfer, including attorneys' fees At our election, the assignee must sign our then current form of Franchise Agreement for each Restaurant then developed or under development Before you may offer shares in your company by a private offering, you must provide us with copies of all offering materials, indemnify us (and our related parties) and pay us a non-refundable review fee of $10,000 (or

PROVISION	SECTION IN AREA DEVELOPMENT AGREEMENT	SUMMARY
		our actual costs, if greater), in addition to a transfer fee, if applicable
n Our right of first refusal to acquire your business	§7 3	We can match any offer for your business
o Our option to purchase your business	N/A	
p Your death or disability	§§7 3, 9 1	Your heirs have 60 days after your death or legal incapacity to qualify as a franchisee or assign the Area Development Agreement to a person acceptable to us See also "m" above
q Noncompetition covenants during term of franchise	§8 1	Unless we otherwise consent, you can not engage in "Competitive Activities" (*i e* , owning, operating, lending to, advising, being employed by, or having any financial interest in (i) any Restaurant that offers or sells burgers or breakfast, (ii) any family dining restaurant, except any mutually agreeable "grandfathered" restaurant(s) identified on Exhibit G to the Franchise Agreement "Competitive Activities" excludes investment in an Entity traded on any national securities exchange if your owners are not controlling persons of such Entity and (ii) if the investment does not, directly or indirectly, exceed 5% of any class of securities of such Entity
r Noncompetition covenants after franchise is terminated or expires	§8 2	No involvement in Competitive Activities for 24 months within development area without our consent
s Modification of the	§8 3	Modification only by written agreement

PROVISION	SECTION IN AREA DEVELOPMENT AGREEMENT	SUMMARY
agreement		of parties
t Integration/merger clause	§10 9	All agreements between the parties are in the Area Development Agreement and its exhibits Nothing in the Area Development Agreement or in any related agreement is intended to disclaim the representations made in this franchise disclosure document Only the terms of the area development agreement are binding (subject to state law) Any representations or promises outside of the disclosure document and area development agreement may not be enforceable
u Dispute resolution by arbitration or mediation	§10 17	Except for certain claims, all disputes are subject to binding mediation and arbitration in Riverside, California, following preliminary negotiation procedures
v Choice of forum	Article 18	Mediation and arbitration in Riverside, California
w Choice of law	§10 8	California law applies, except for the provisions respecting non-competition, which are governed by local law of your location

Note Please see Exhibit N to this Disclosure Document for important information concerning your rights under state law, including your rights in regard to transfer, termination and renewal

ITEM 18
PUBLIC FIGURES

We do not use any public figure to promote our franchise

ITEM 19
FINANCIAL PERFORMANCE REPRESENTATIONS

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

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 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 our President at 3452 University Avenue, Riverside, CA 92501, the Federal Trade Commission, and the appropriate state regulatory agencies

ITEM 20
OUTLETS AND FRANCHISEE INFORMATION

Table No 1
Systemwide Outlet Summary
For years 2015 – 2017

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the end of the Year	Net Change
Franchised	2015	49	51	+2
	2016	51	53	+2
	2017	53	55	+2
Affiliate Owned	2015	23	29	+6
	2016	29	34	+5
	2017	34	34	+0
Total Outlets	2015	72	80	+8
	2016	80	87	+7
	2017	87	89	+2

Table No 2
Transfers of Franchised Outlets
For years 2015 – 2017

State	Year	Number of Transfers
California	2015	2
	2016	1
	2017	0
Total	2015	2
	2016	1
	2017	0

Table No 3
Status of Franchised Outlets
For years 2015 – 2017

State	Year	Outlets at Start of Year	Outlets Opened	Termina-tions	Non-Renewals	Reacquired by Franchisor	Ceased Opera-tions Other Reasons	Outlets at the End of the Year
	2015	45	3	0	0	1	0	47
	2016	47	2	0	0	0	0	49
CA	2017	49	2	0	0	0	0	51
	2015	4	0	0	0	0	0	4
	2016	4	0	0	0	0	0	4
NV	2017	4	0	0	0	0	0	4
	2015	49	3	0	0	1	0	51
	2016	51	2	0	0	0	0	51
Totals	2017	53	2	0	0	0	0	55

Table No 4
Status of Affiliate-Owned Outlets
For years 2015 – 2017

State	Year	Outlets at Start of Year	Outlets Opened	Outlets Reacquired from Franchisees	Outlets Closed	Outlets Sold to Franchisees	Outlets at the End of the Year
	2015	23	5	1	0	0	29
	2016	29	3	0	0	0	32
CA	2017	32	0	0	0	0	32

State	Year	Outlets at Start of Year	Outlets Opened	Outlets Reacquired from Franchisees	Outlets Closed	Outlets Sold to Franchisees	Outlets at the End of the Year
	2015	0	0	0	0	0	0
	2016	1	2	0	0	0	3
NV	2017	3	0	0	0	0	3
	2015	23	5	1	0	0	29
	2016	29	5	0	0	0	34
Totals	2017	34	0	0	0	0	34

Table No 5
Projected Openings During Fiscal Year Ending January 28, 2018

State	Franchise Agreements Signed But Outlet Not Opened	Projected New Franchise Outlet In The Next Fiscal Year	Projected New Company- or Affiliate-Owned Outlet In The Next Fiscal Year
California	9	5	0
Nevada	0	0	1
Total	9	5	1

Our fiscal year-end is January 29 The name, business address, and business telephone number of each current franchisee on January 29, 2017 is attached as Exhibit I to this Disclosure Document There were no franchisees who had a Franchise Agreement terminated, canceled, not renewed, or reasonably known to us to have otherwise ceased doing business under the Franchise Agreement during the past year, or have failed to communicate with us within 10 weeks of the date of this Disclosure Document

If you buy this franchise, your contact information may be disclosed to other buyers when you leave the Farmer Boys® System

ITEM 21
FINANCIAL STATEMENTS

Attached to this Disclosure Document as Exhibit L are our audited financial statements for the fiscal years ending January 29, 2017, January 31, 2016 and January 25, 2015

ITEM 22
CONTRACTS

The following agreements are proposed for use in this state for a FARMER BOYS® franchise

Exhibit C is a copy of our current form of Franchise Agreement, Exhibit C-1 is a copy of our current form of SBA Addendum to the Franchise Agreement

Exhibit D is a copy of our current form of Area Development

Exhibit E is a copy of our current form of Sublease

Exhibit F is a copy of our current form of Lease

Exhibit G are our forms of Asset Purchase Agreement, by which we or our affiliate may sell you the assets of an existing FARMER BOYS® Restaurant (Exhibit G-1 includes the Building, and G-2 does not)

Exhibit H is a copy of our current Operations Manual Table of Contents

Exhibit M is a copy of our current Closing Questionnaire to be signed by franchisees when they sign the franchise agreement

ITEM 23
RECEIPT

Attached, as the last page of this Disclosure Document (Exhibit O), is a Receipt Please sign it and return it to us A duplicate of the Receipt is also attached for your records

EXHIBIT A
State Agencies/Administrators

STATE AGENCIES AND ADMINISTRATORS

1 California

Commissioner
California Department of Business Oversight
320 W 4th Street, Suite 750
Los Angeles, California 90013-2344
Telephone (866) 275-2677

2 Hawaii

Department of Commerce & Consumer Affairs
P O Box 40
Honolulu, Hawaii 96810
Telephone (808) 586-2722

3 Illinois

Illinois Attorney General
500 South Second Street
Springfield, Illinois 62706
Telephone (217) 782-4465

4 Indiana

Securities Commissioner
Securities Division
302 West Washington Street, Room E111
Indianapolis, Indiana 46204
Telephone (317) 232-6681

5 Maryland

Maryland Office of the Attorney General
Securities Division
200 St Paul Place
Baltimore, Maryland 21202
Telephone (410) 576-6360

6 Michigan

Consumer Protection Division
Antitrust and Franchise Unit
670 Law Building
Lansing, Michigan 48913
Telephone (517) 373-7117

7 Minnesota

Minnesota Department of Commerce
85 7th Place East, Suite 500
St Paul, Minnesota 55101-2198
Telephone (612) 296-6325

8 New York

Bureau of Investor Protection and Securities
New York State Department of Law
120 Broadway, 23rd Floor
New York, NY 10271
Telephone (212) 416-8211

9 North Dakota

North Dakota Securities Department
600 East Boulevard Avenue
State Capitol, 5th Floor, Dept 414
Bismarck, North Dakota 58505-0510
Telephone (701) 328-4712

10 Rhode Island

Division of Securities
1511 Pontiac Avenue
John O Pastore Complex – Building 69-1
Cranston, RI 02920
Telephone (401) 462-9527

11 South Dakota

Division of Securities
124 S Euclid Suite 104
Pierre, SD 57501
Telephone (605) 773-4823

12 Virginia

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

13 Washington

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

14 Wisconsin

Department of Financial Institutions
Division of Securities, 4th Floor
345 W Washington Avenue
Madison, Wisconsin 53703
Telephone (608) 266-3431

EXHIBIT B
Agents for Service of Process

EXHIBIT B
AGENTS FOR SERVICE OF PROCESS

CALIFORNIA

Commissioner of Business Oversight
1515 K Street, Suite 200
Sacramento, California 95814

NEVADA

CSC Services of Nevada, Inc
502 East John Street
Carson City, Nevada 89706

EXHIBIT C
Franchise Agreement

FARMER BOYS®
FRANCHISE AGREEMENT

By and Between

FARMER BOYS FOOD, INC.

And

_____

879860 6

Table of Contents

		Page
ARTICLE 1 DEFINITIONS		1
1 1	Certain Fundamental Definitions and Applicable Information	1
ARTICLE 2 GRANT		2
2 1	Grant	2
2 2	No Sublicensing Rights	2
2 3	Territorial Rights	2
ARTICLE 3 TERM AND RIGHT TO ENTER INTO SUCCESSOR FRANCHISE AGREEMENT		2
3 1	Initial Term	2
3 2	Right to Enter into Successor Franchise Agreements	3
3 3	Form and Manner of Exercising Successor Franchise Right	3
3 4	Conditions Precedent to Entering into a Successor Franchise Agreement	4
3 5	Renewal of Lease	4
3 6	Notice Required by Law	5
ARTICLE 4 PAYMENTS		5
4 1	Initial Fee	5
4 2	Continuing Royalty	5
4 3	Marketing Fund Contribution	5
4 4	Manner of Payment	5
4 5	EFT and Pre-Authorized Payments	5
4 6	Other Payments	6
4 7	Application of Funds	6
4 8	Interest and Charges for Late Payments	6
ARTICLE 5 CONSTRUCTION AND COMMENCEMENT OF BUSINESS		6
5 1	Approved Location	6
5 2	Franchisor Site Selection Assistance	7
5 3	Lease or Purchase of Approved Location	7
5 4	Construction	9
5 5	Maintaining and Remodeling of Licensed Restaurant	10
ARTICLE 6 TRAINING		11
6 1	Initial Training Program	11
6 2	On-Site Opening Assistance	12
6 3	Additional Training	12
6 4	Annual Meeting	13
6 5	Other Assistance	13
ARTICLE 7 MANUALS AND STANDARDS OF OPERATOR QUALITY CLEANLINESS AND SERVICE		13
7 1	Compliance with Applicable Law	13
7 2	Operating Principal and Management Employees	13
7 3	Computer/Information Systems	14
7 4	Manuals	15
7 5	Hours	16
7 6	Product Line and Service	16
7 7	Utensils, Fixtures and Other Goods	16
7 8	Menus	17
7 9	Notification of Legal Proceedings, and Crisis Management Events	17
7 10	Signs	17
7 11	Uniforms and Employee Appearance	18
7 12	Vending or Other Machines	18
7 13	Co-Branding	18

Table of Contents
(continued)

		Page
7 14	Intranet	18
ARTICLE 8 ADVERTISING AND CO-OPS		19
8 1	General Marketing Requirements	19
8 2	Local Advertising and Promotion	19
8 3	Marketing Fund	20
8 4	Co-op Advertising	21
8 5	Telephone Numbers and Directory Advertising	22
8 6	Promotional Campaigns	22
8 7	Internet	22
ARTICLE 9 DISTRIBUTION AND PURCHASE OF EQUIPMENT SUPPLIES, AND OTHER PRODUCTS		22
9 1	FARMER BOYS® Brand Products	22
9 2	Proprietary Products	23
9 3	Non-Proprietary Products	23
9 4	Supplier Approvals	23
9 5	Test Marketing	24
9 6	Customer Reporting and Comments	24
ARTICLE 10 REPORTS, BOOKS AND RECORDS, INSPECTIONS		25
10 1	General Reporting	25
10 2	Inspections	25
10 3	Audits	26
10 4	Books and Records	26
ARTICLE 11 TRADEMARKS AND OTHER INTELLECTUAL PROPERTY		26
11 1	Use of Marks	26
11 2	Non-Use of Trade Name	26
11 3	Use of Other Trademarks	26
11 4	Non-ownership of Marks	27
11 5	Defense of Marks	27
11 6	Prosecution of Infringers	27
11 7	Modification of Marks	27
11 8	Acts in Derogation of the Marks	27
11 9	Assumed Name Registration	28
11 10	Concepts Developed by Franchisee	28
11 11	Copyrights	28
ARTICLE 12 COVENANTS REGARDING OTHER BUSINESS INTERESTS		29
12 1	Non-Competition	29
12 2	Trade Secrets	29
12 3	Confidentiality and Press Releases	30
12 4	Interference With Employment Relations	30
12 5	Effect of Applicable Law	30
12 6	Survival	30
ARTICLE 13 NATURE OF INTEREST, ASSIGNMENT		31
13 1	Assignment by Franchisor	31
13 2	Assignment by Franchisee	31
13 3	Entity Franchisee	33
13 4	Assignment to a Controlled Entity	34
ARTICLE 14 DEFAULT AND TERMINATION		35

Table of Contents
(continued)

		Page
14 1	General	35
14 2	Automatic Termination Without Notice	35
14 3	Option to Terminate Without Opportunity to Cure	35
14 4	Termination With Notice and Opportunity To Cure	37
14 5	Reimbursement of Franchisor Costs	37
14 6	Cross-Default	37
14 7	Notice Required By Law	37
14 8	Termination by Franchisee	37
ARTICLE 15 RIGHTS AND OBLIGATIONS UPON TERMINATION		37
15 1	General	37
15 2	Survival of Obligations	38
15 3	No Ownership of Marks	39
15 4	Government Filings	39
ARTICLE 16 INSURANCE		39
16 1	Insurance	39
16 2	Use of Proceeds	39
16 3	Proof of Insurance	39
ARTICLE 17 RELATIONSHIP OF PARTIES, DISCLOSURE		39
17 1	Relationship of Franchisee to Franchisor	39
17 2	Indemnity	39
ARTICLE 18 MEDIATION AND ARBITRATION		40
18 1	Mediation	40
18 2	Arbitration	40
ARTICLE 19 MISCELLANEOUS PROVISIONS		41
19 1	Notices	41
19 2	Franchisor's Right To Cure Defaults	42
19 3	Waiver and Delay	42
19 4	Survival of Covenants	42
19 5	Successors and Assigns, Benefit	42
19 6	Joint and Several Liability	42
19 7	Governing Law	42
19 8	Entire Agreement	43
19 9	Titles For Convenience	43
19 10	Gender And Construction	43
19 11	Severability	43
19 12	Counterparts	43
19 13	Fees and Expenses	43
19 14	Waiver of Jury Trial, Venue	44
ARTICLE 20 SUBMISSION OF AGREEMENT		44
20 1	General	44
ARTICLE 21 ACKNOWLEDGMENT		44
21 1	General	44

FARMER BOYS®
FRANCHISE AGREEMENT

THIS **FRANCHISE AGREEMENT** ("**Agreement**") is made this _____ day of _____, 20___ (the "**Effective Date**") by and between Farmer Boys Food, Inc , a California corporation ('**Franchisor**") and _____, a _____ ('**Franchisee**"), with reference to the following facts

A An Affiliate of Franchisor owns, and has authorized Franchisor to sublicense, certain proprietary and other property rights and interests in and to the FARMER BOYS® name and service mark, and such other trademarks, service marks, logo types and commercial symbols as Franchisor may from time to time authorize or direct Franchisee to use in connection with the operation of the Licensed Restaurant (the "**Marks**")

B Franchisor and/or one or more Affiliates of Franchisor have developed and continue to develop, and Franchisor owns or has the right to sublicense, a system for the operation of a family-oriented fast casual restaurant featuring freshly cooked, made-to-order hamburgers and other "made from scratch" breakfast, lunch, and dinner menu items, including, among other things, distinctive food recipes, preparation techniques, product specifications, signs, trade secrets and other confidential information, architectural designs, trade dress, layout plans, uniforms, equipment specifications, inventory techniques, business methods, technical knowledge, marketing concepts including operational processes, commercial ideas, advertising materials, marketing strategies, information on sources of supply, administrative procedures, business forms, uniforms, and employee training techniques

C Franchisee desires to obtain the license and franchise to operate a single Restaurant, under the Marks and in strict accordance with the System, and the System Standards established by Franchisor and Franchisor is willing to grant Franchisee such license and franchise under the terms and conditions of this Agreement

NOW, THEREFORE, the parties agree as follows

ARTICLE 1
DEFINITIONS

1 1 Certain Fundamental Definitions and Applicable Information In this Agreement, in addition to those terms defined in Appendix 1 and elsewhere in this Agreement, the following terms, shall have the meanings set forth below, unless the context otherwise requires

"Expiration Date" means (check one) [ ] _____, 20__ , or [ ] 20 years after the first to occur of (a) the Scheduled Opening Date, or (b) the actual date on which the Licensed Restaurant first opens to the public (which the parties shall evidence in a memorandum executed by both Franchisor and Franchisee, failing which (a) shall apply

"Franchisee Notice Address" is _____
_____
_____
Attn _____

'Initial Fee" means $_____ (See Section 4 1)

"Location" means _____

"Operating Principal" means _____, or another individual hereafter designated by Franchisee, and accepted by Franchisor (and until subsequently disapproved by Franchisor), to serve as the authorized representative of Franchisee, who shall hold 10% or more of the Equity of Franchisee, and who shall have the authority to act on behalf of Franchisee during the Term

"Scheduled Opening Date" means _____, 20__

ARTICLE 2
GRANT

2 1 Grant

2 1 1 Franchisor hereby awards Franchisee, and Franchisee hereby accepts, the right license and obligation, during the Term, to use and display the Marks, and to use the System, to operate one (1) Restaurant at, and only at, the Approved Location upon the terms and subject to the provisions of this Agreement and all ancillary documents hereto

2 1 2 Franchisee may not offer, sell or provide delivery services or Catering services without first obtaining Franchisor's prior written consent, which shall be granted or denied in Franchisor's sole discretion In the event such prior written consent is granted, and in addition to such other conditions and restrictions as Franchisor may impose Franchisee shall at all times provide such delivery and/or Catering services in strict accordance with Franchisor s System Standards regarding the same as may be amended from time to time Such System Standards may include, without limitation, restrictions regarding the types of products and services Franchisee may offer and the geographic area in which Franchisee may provide such delivery and/or Catering services

2 2 No Sublicensing Rights Franchisee shall not sublicense, sublease, subcontract or enter any management agreement providing for the right to operate the Licensed Restaurant or to use the System granted pursuant to this Agreement

2 3 Territorial Rights

2 3 1 During the Term, neither Franchisor nor any Affiliate of Franchisor shall open or operate any Traditional Restaurant, nor license other to do so, within a one-mile radius surrounding the Licensed Restaurant, or other mutually agreeable geographic area, as described on Exhibit A (the ' **Territory**")

2 3 2 Except to the limited extent expressly provided in Section 2 3 1 of this Agreement, the license granted to the Franchisee under this Agreement is nonexclusive and Franchisor expressly reserves all other rights not expressly and specifically prohibited by another provision of this Agreement, including, the exclusive, unrestricted right, in its discretion, directly and indirectly, itself and through its employees Affiliates representatives, franchisees licensees, assigns agents and others

(a) to own or operate, and to license others (which may include its Affiliates) to own or operate (i) FARMER BOYS® Restaurants at any location outside the Territory, (ii) FARMER BOYS® Restaurants at Non-Traditional Venues at any location, and of any type whatsoever, within or outside the Territory, and regardless of proximity to the Restaurant developed pursuant hereto, and (iii) restaurants or other businesses operating under names other than FARMER BOYS®, at any location, and of any type whatsoever, within or outside the Territory and regardless of their proximity to the Restaurant developed pursuant hereto, and

(b) to produce, license, distribute and market FARMER BOYS® Brand Products including pre-packaged food items, dressings and other food and beverage products, books clothing, souvenirs and novelty items, through any outlet and channel of commerce (regardless of its proximity to the Restaurant opened pursuant hereto) including grocery stores supermarkets and convenience stores and through any distribution channel at wholesale or retail, including by means of the Internet or Internet web site mail order catalogs direct mail advertising, delivery, Catering and other distribution methods, and to advertise and promote the System through any means, including the Internet

ARTICLE 3
TERM AND RIGHT TO ENTER INTO SUCCESSOR FRANCHISE AGREEMENT

3 1 Initial Term

3 1 1 The term of this Agreement ("**Term** ') shall commence on the Effective Date and shall expire on the Expiration Date (see Section 1 1), unless sooner terminated or extended pursuant hereto

3 1 2 Notwithstanding anything herein to the contrary, the Term of this Agreement (and the Term of any Successor Agreement executed pursuant to Section 3 2) shall automatically terminate (i) upon the earlier expiration or termination of, as applicable, of Lease (except if any Owner or Affiliate of Franchisee, excluding Franchisor or its Affiliate, directly or indirectly is a landlord or, or owns manages or has a financial interest in the land or building comprising the Franchised Location), or (ii) upon the occurrence of any event which prevents or prohibits Franchisee from occupying the Franchised Location or Licensed Restaurant provided, however that Franchisee and its Owners and Affiliates shall not do anything which will cause such Lease, or any direct or indirect master Lease or sublease to be terminated or otherwise amended or modified without the prior written consent of Franchisor, which consent may be granted or withheld for any reason in its sole and absolute discretion

3 2 Right to Enter into Successor Franchise Agreements

3 2 1 Subject to the conditions contained in Section 3 4 of this Agreement and Franchisee's compliance with Section 3 3 of this Agreement, and provided that Franchisor is then currently offering franchises in the same state in which the Franchisee's Restaurant is located, at the expiration of the Term hereof, Franchisee shall have the right (the "**Successor Franchise Right**") to enter into a new franchise agreement in the form then generally being offered to prospective FARMER BOYS® franchisees (the "**First Successor Franchise Agreement**") for a 10 year period (the '**First Successor Term**"), which Successor Franchise Agreement shall likewise grant Franchisee the right to enter into one additional franchise agreement at the end of the First Successor Term, in the form then generally being offered to prospective franchisees of the System (the '**Second Successor Franchise Agreement**) for a 10 year period (the "**Second Successor Term**") **Successor Franchise Agreement** ' when used herein refers to the First Successor Franchise Agreement and/or Second Successor Franchise Agreement as the context requires Franchisee acknowledges that the terms, including Continuing Royalty and Marketing Fund Contribution payable, during the First Successor Term and Second Successor Term shall be as then generally applicable to new franchisees granted at the time and may differ from those contained in this Agreement

3 2 2 The term of the Successor Franchise Agreement shall commence upon the date of expiration of the Term hereof or the term of the First Successor Franchise Agreement, as applicable, and notwithstanding the terms of Franchisor's then-current form of Franchise Agreement

(a) The Successor Franchise Agreement shall provide that Franchisee must pay, in lieu of an initial franchise fee, a renewal fee in the amount of twenty-five (25%) percent of Franchisor's then-current initial franchise fee, and

(b) unless otherwise mutually agreed in writing, the First Successor Franchise Agreement shall be modified to provide for only one additional successor term, and the Second Successor Franchise Agreement shall be modified to provide no additional successor terms (i e , conforming to the Successor Franchise Rights granted in franchisee's original franchise agreement for the Licensed Restaurant)

3 3 Form and Manner of Exercising Successor Franchise Right The Successor Franchise Right shall be exercised, if at all, strictly in the following manner

3 3 1 Between 9 months and 12 months before the expiration of the Term, Franchisee shall notify Franchisor in writing ("**Notice of Election**") that it intends to exercise its Successor Franchise Right and no sooner than immediately after the expiration of any waiting period(s) by Applicable Law and no more than 30 days after Franchisee receives Franchisor's Franchise Disclosure Document if applicable, and execution copies of the applicable Successor Franchise Agreement Franchisee shall execute the copies of said Successor Franchise Agreement and return them to Franchisor

3 3 2 If Franchisee shall have exercised its Successor Franchise Right in accordance with Section 3 3 1 of this Agreement and satisfied all of the conditions contained in Section 3 4 of this Agreement, Franchisor shall execute the Successor Franchise Agreement, executed by Franchisee and at or prior to the expiration of the Term deliver one fully executed copy thereof to Franchisee

3 3 3 If Franchisee subleases the Location from Franchisor or its Affiliate, Franchisee shall execute and return to Franchisor or its Affiliate, as applicable, the sublease or amendment to sublease (as prescribed by Franchisor or the Affiliate in accordance with Section 3 5 2), within 21 days after delivery to Franchisee s

3 3 4 If Franchisee fails to perform any of the acts, or deliver any of the notices required pursuant to the provisions of Sections 3 3 or 3 4 of the Agreement in a timely fashion, such failure shall be deemed an election by Franchisee not to exercise its Successor Franchise Right and shall automatically cause Franchisee's said Successor Franchise Right to lapse and expire at 11 50 p m PST on the date preceding the 20th anniversary of the Effective Date

3 4 Conditions Precedent to Entering into a Successor Franchise Agreement Franchisee's Successor Franchise Right is conditioned upon Franchisee's fulfillment of each and all of the following conditions precedent

3 4 1 At the time Franchisee delivers its Notice of Election to Franchisor and at all times thereafter until the commencement of the applicable Successor Term, Franchisee shall have fully performed, in all material respects, all of its obligations under the Agreement, the Manuals and all other agreements then in effect between Franchisee and Franchisor (or its Affiliates)

3 4 2 At Franchisor's request, Franchisee shall prior to the date of commencement of the applicable Successor Term, undertake and complete at its expense the remodeling, renovation, modernization or refurbishing of the Premises Approved Location and the Licensed Restaurant, which may include installation of new or replacement equipment, to comply with Franchisor's then-current System Standards for new Restaurant

3 4 3 Without limiting the generality of Section 3 4 1 of this Agreement, Franchisee shall not have committed and cured 3 or more material defaults of Articles 4, 7, 9, 10, 11 or 12 of the Agreement during any 36 month period during the Term of the Agreement for which Franchisor shall have delivered notices of default whether or not such defaults were cured

3 4 4 Franchisee, and Franchisee's employees, as applicable, shall comply with Franchisor s then-current qualification, training and certification requirements at Franchisee's expense

3 4 5 Franchisee shall have renewed or extended its Lease or executed a new or amended Lease pursuant to which Franchisee shall have secured the right to continue to occupy the Location after the expiration of the Term and throughout the First Successor Term or Second Successor Term, as applicable (and expressly subject to Section 3 5)

3 4 6 Concurrently with the execution of the applicable Successor Franchise Agreement, Franchisee shall, and shall cause each of its Affiliates to, execute and deliver to Franchisor a general release on a form prescribed by Franchisor of any and all known and unknown claims against Franchisor and its Affiliates and their officers, directors, agents, shareholders and employees The release may cover future consequences of acts omissions events and circumstances predating the date of the release, but will not release, in advance, future acts omissions or events which have not occurred at the time the release is executed

3 5 Renewal of Lease

3 5 1 Franchisee acknowledges that its right to enter into a Successor Franchise Agreement, and the continuation of the Term of the Franchise Agreement, shall be subject to the continuation of Franchisee's right to occupy the Location

3 5 2 If Franchisee's Location is subleased by Franchisee from Franchisor or its Affiliate, and as a condition to or in consideration for Franchisor or its Affiliate renewing or extending its Master Lease Franchisor or its Affiliate is required to or otherwise agrees to increases in base rental, percentage rental, taxes and/or "other expenses" in excess of those previously required of Franchisee as lessee, under its Lease Franchisor or the Leasing Affiliate, as applicable, shall have the right to increase in a like dollar amount, or percentage rate, as applicable any, all or any combination of the base rental, percentage rental taxes and/or "other expenses", respectively, to be paid by Franchisee to Franchisor or the Affiliate pursuant to the sublease or amendment to sublease to be executed by Franchisee under Sections 3 3 3 and 3 4 5 , respectively Any such increase(s) in

Franchisee's base rental, percentage rental taxes and/or 'other expenses" shall be equal in dollar amount or percentage rate, or both, as applicable, to the increase(s) therein required of Franchisor or its Affiliate as applicable, as lessee in connection with the renewal or extension of its Master Lease By way of illustration, (a) if the original Master Lease called for a minimum monthly rental of $1,000 00, and the new or amended Master Lease called for a minimum monthly rental of $2,000 00, with no change in the amount of percentage rental, the Franchisee's sublease minimum rental would increase by $1,000 00 per month, and (b) if the original Master Lease called for a minimum monthly rental of $1,000 00 and percentage rent equal to 2% of annual sales above $1,000,000, and the new or amended Master Lease called for a minimum monthly rental of $2,000 00, and percentage rent equal to 2 5% of annual sales above $1 500,000, the Franchisee's sublease minimum rental would increase by $1,000 00 per month and its percentage rent shall increase to 2 5% of annual sales above $1,500,000, Said "other expenses" to which Franchisee's Lease shall also be subject, may also include one-time payments to Franchisor s or its Affiliate s master landlord in consideration for the new or amended Master Lease, new or increased administrative fees or common area maintenance charges, and/or capital expenditures or expenses for remodeling refurbishment, expansion renovation, repair or decoration of the interior, exterior or surrounding areas of the Franchised Location

3 6 Notice Required by Law If Applicable Law requires that Franchisor give notice to Franchisee prior to the expiration of the Term, this Agreement shall remain in effect on a week to week basis until Franchisor has given the notice required by such Applicable Law If Franchisor is not offering new franchises, is in the process of revising amending or renewing its form of franchise agreement or disclosure document or is not lawfully able to offer Franchisee its then-current form of franchise agreement, at the time Franchisee delivers its Notice of Election Franchisor may, in its discretion, (i) offer to renew this Agreement upon the same terms set forth herein for a Successor Term determined in accordance with Section 3 2 of this Agreement hereof or (ii) offer to extend the Term hereof on a week to week basis following the expiration of the Term hereof for as long as it deems necessary or appropriate so that it may lawfully offer its then-current form of franchise agreement

ARTICLE 4
PAYMENTS

4 1 Initial Fee Upon execution hereof, Franchisee shall pay to Franchisor the Initial Fee (see Section 1 1) The Initial Fee is non-refundable, in whole or in part, under any circumstances

4 2 Continuing Royalty Each Week during the Term, Franchisee shall pay to Franchisor, as provided in Sections 4 4 and 4 5 , a continuing royalty (the ' **Continuing Royalty** ') equal to 5% multiplied by Franchisee s Adjusted Gross Revenue during the preceding Week

4 3 Marketing Fund Contribution Each Week during the Term Franchisee shall pay to Franchisor, as provided in Section 4 5 , a marketing fee equal to 3% multiplied by Franchisee s Adjusted Gross Revenue during the preceding Week (**Marketing Fund Contribution** ') Franchisor shall contribute the Marketing Fund Contribution to the Marketing Fund to be administered in the manner provided in Section 8 3 of this Agreement (the '**Marketing Fund**) Franchisor may adjust the Marketing Fund Contribution from time to time, but never to more than 3% of Franchisee s Adjusted Gross Revenue Pursuant to Section 8 4 of this Agreement, Franchisor may also establish a co-op advertising fund for Franchisee's region The fee for co-operative advertising will be in addition to the Marketing Fund Contribution and will be determined by each co-op advertising region, as described in Section 8 4 2 of this Agreement

4 4 Manner of Payment Franchisee shall calculate the Continuing Royalty and Marketing Fund Contribution due to Franchisor as prescribed above and cause Franchisor to receive payment of all Continuing Royalties, Marketing Fund Contributions and all other amounts then owed to Franchisor, and upon Franchisor s request together with a statement of Franchisee s Adjusted Gross Revenue for the applicable Week (certified as complete and accurate by a duly authorized representative of Franchisee), no later than the Wednesday following each Week during the Term

4 5 EFT and Pre-Authorized Payments

4 5 1 Franchisee, at Franchisee s sole cost and expense shall instruct its bank to pay the amount of its Continuing Royalty, Marketing Fund Contribution and other fees directly to Franchisor from Franchisee's account, by electronic funds transfer or such other automatic payment mechanism which Franchisor

may designate ("**EFT**") and upon the terms and conditions set forth in the Manuals, and promptly upon Franchisor's request, Franchisee shall execute or re-execute and deliver to Franchisor such pre-authorized check forms and other instruments or drafts required by Franchisor s bank, payable against Franchisee's bank account, to enable Franchisor to draw Franchisee's Continuing Royalty, Marketing Fund Contribution and other sums payable under the terms of this Agreement Franchisor's current form of EFT authorization is attached hereto as Exhibit B Franchisee shall also in addition to those terms and conditions set forth in the Manuals, maintain a single bank account for such payments and shall maintain such minimum balance in such account as Franchisor may reasonably specify from time to time Franchisee shall not alter or close such account except upon Franchisor s prior written approval Any failure by Franchisee to implement such EFT system in strict accordance with Franchisor s instructions shall, without limiting the materiality of any other default of this Agreement, constitute a material default of this Agreement

4 5 2 Franchisor may unilaterally estimate and draw down the amounts owed by Franchisee, in accordance with the system Franchisor establishes from time to time which system may include EFT systems, automatic debits, use of Franchisee pre-authorized checks, other instruments or authority or any other arrangement Franchisor may prescribe Franchisor may base its estimates of Marketing Fund Contributions, Continuing Royalties and similar payments which are calculated based on Adjusted Gross Revenue, on Franchisee s historically reported Adjusted Gross Revenue Franchisee shall, without limiting the materiality of any other default of this Agreement, promptly implement such system in strict accordance with Franchisor's instructions and failure to do so shall constitute a material default of this Agreement

4 6 Other Payments In addition to all other payments provided herein, Franchisee shall pay to Franchisor, its Affiliates and designees, and all Suppliers as applicable promptly when due

4 6 2 The amount of all sales taxes, use taxes, personal property taxes and similar taxes, which shall be imposed upon Franchisee and required to be collected or paid by Franchisor (a) on account of Franchisee s Adjusted Gross Revenue, or (b) on account of Continuing Royalties, Marketing Fund Contributions or Initial Fees collected by Franchisor from Franchisee (but excluding ordinary income taxes) Franchisor, in its discretion, may collect the taxes in the same manner as Continuing Royalties are collected herein and promptly pay the tax collections to the appropriate Governmental Authority, provided, however, that unless Franchisor so elects, it shall be Franchisee's responsibility to pay all sales, use or other taxes now or hereinafter imposed by any Governmental Authorities on Continuing Royalties, Initial Fees or Marketing Fund Contributions

4 6 3 All amounts due for any reason including pursuant to Franchisee's Lease, on account of purchases of goods supplies or services relating to the Licensed Restaurant, or amounts which Franchisor has become obligated to pay on behalf of Franchisee for any reason whatsoever

4 7 Application of Funds If Franchisee shall be delinquent in the payment of any obligation to Franchisor hereunder, or under any other agreement with Franchisor Franchisor shall have the absolute right to apply any payments received from Franchisee to any obligation owed whether under this Agreement or otherwise, including to Franchisee s vendors Suppliers and landlord, notwithstanding any contrary designation by Franchisee as to application

4 8 Interest and Charges for Late Payments If Franchisee shall fail to pay to Franchisor the entire amount of the Continuing Royalty, Marketing Fund Contribution and all other sums owed to Franchisor or its Affiliates promptly when due, Franchisee shall pay in addition to all other amounts which are due but unpaid, interest on the unpaid amounts, from the due date thereof, at the rate of 10% per annum or the highest rate allowable under applicable law, whichever is less If any check, draft, electronic transfer or otherwise, is unpaid because of insufficient funds or otherwise, then Franchisee shall pay Franchisor's expenses arising from such non-payment, including bank fees in the amount of at least $50 00 and any other related expenses incurred by Franchisor

ARTICLE 5
CONSTRUCTION AND COMMENCEMENT OF BUSINESS

5 1 Approved Location Franchisee s Restaurant shall be located at the Approved Location

5 1 1 If no Approved Location has been inserted in the blank space provided above at the time of execution of this Agreement, Franchisee shall promptly following the execution hereof locate one or more proposed sites which meet Franchisor's then-current System Standards Franchisee shall submit to Franchisor such demographic and other information regarding the proposed site(s) and neighboring areas as Franchisor shall require, in the form prescribed by Franchisor ("**Site Review Request**") Franchisor may seek such additional information as it deems necessary within 30 days of submission of Franchisee's Site Review Request, and Franchisee shall respond promptly to such request for additional information If Franchisor shall not deliver written notice to Franchisee that Franchisor accepts the proposed site, within 30 days of receipt of Franchisee's Site Review Request, or within 30 days after receipt of such additional requested information, whichever is later, the site shall be deemed rejected If the Franchisor accepts the proposed site it shall notify Franchisee of its acceptance of the site Promptly following mutual execution of this Agreement, or Franchisor's acceptance of a proposed site, if no Approved Location has been inserted in the blank space provided above, Franchisee shall proceed to negotiate a Lease or purchase agreement for the site and shall submit to Franchisor a copy of the proposed Lease or purchase agreement, as applicable to Franchisor Franchisee shall not enter into any Lease or purchase agreement for the Approved Location unless Franchisor has accepted the proposed Lease, the site and such site shall be deemed to the '**Approved Location**" as defined above Franchisee shall begin operating the Licensed Restaurant by the Scheduled Opening Date (see Section 1 1) Unless waived by Franchisor in whole or in part, upon submitting a second Site Review Request to Franchisor for review, and for each Site Review Request thereafter, Franchisee shall reimburse Franchisor for all costs and expenses of Franchisor incurred in reviewing the Site Review Requests, including payment to consultants and agents retained by Franchisor to assist in conducting such review and including a reasonable allocation of overhead and administrative expenses

5 1 2 Franchisee may not conduct any activities associated with Franchisor or the Marks at any location except for operating the Licensed Restaurant in accordance with this Agreement, or other agreement with Franchisor

5 1 3 Franchisee may not relocate the Licensed Restaurant without Franchisor's prior written consent If Franchisor shall consent to any relocation, Franchisee shall de-identify the former location in the manner described in Section 15 1 5 of this Agreement with respect to Franchisee's obligations upon termination and expiration, and shall reimburse and indemnify and hold Franchisor harmless from any direct and indirect losses, costs and expenses, including attorney's fees, arising out of Franchisee's failure to do so

5 2 Franchisor Site Selection Assistance Franchisor is not required to visit any potential location However, Franchisor or its Affiliate may voluntarily (without obligation) identify potential sites or may assist Franchisee in obtaining or evaluating an acceptable location Neither Franchisor s or its Affiliate's said assistance, if any, its suggesting or acceptance of Franchisee's proposed site, nor its acceptance of the proposed Lease or purchase agreement shall be construed to insure or guarantee the profitable or successful operation of the Licensed Restaurant by Franchisee and Franchisor and its Affiliates hereby expressly disclaim any responsibility therefor Franchisor's acceptance of a location is solely an indication that the Approved Location meets Franchisor's minimum System Standards at the time of acceptance and such acceptance shall not be construed as any express or implied representation or warranty that the Approved Location will be profitable or successful Franchisee acknowledges its sole responsibility for finding the Approved Location Franchisee acknowledges its sole responsibility for finding the site for the Restaurant it develops pursuant to this Agreement

5 3 Lease or Purchase of Approved Location

5 3 1 If the Approved Location is leased or subleased, unless otherwise expressly agreed by Franchisor in writing (i) the Lease shall name Franchisee as the sole lessee thereunder and may not be assigned or sublet without Franchisor's prior written consent, (ii) Franchisor shall have the right to review and accept or reject the Lease, a true and correct copy of which shall be delivered to Franchisor at least 15 days prior to the execution thereof, (iii) Franchisee shall neither create nor purport to create any obligations on behalf of Franchisor, nor grant or purport to grant to the lessor thereunder any rights against Franchisor, nor agree to any other term, condition, or covenant which is inconsistent with any provision of this Agreement (iv) the Lease shall be for a term (including options) which is not less than the Term of this Agreement (plus each Successor Term), unless Franchisor shall approve, in writing, a shorter term of the Lease, (v) the Lease shall not contain a non-competition covenant which purports to restrict the Franchisor, or any franchisee or licensee of the Franchisor (or its Affiliates), from operating a Restaurant or any other retail establishment, unless such covenant is approved by the Franchisor in writing prior to

the execution of the Lease, (vi) the Lease shall contain such other provisions as Franchisor may require (vii) Franchisee shall duly and timely perform all of the terms, conditions, covenants and obligations imposed upon Franchisee under the Lease, and (viii) a fully executed copy of said Lease, in the form and on the terms previously accepted by Franchisor, shall be delivered to Franchisor promptly following the execution thereof and upon Franchisor's request The Lease shall except to the extent that Franchisor otherwise consents in writing, include the addendum attached hereto as Exhibit D, which among other obligations grants Franchisor the right at its option to assume the Lease and succeed to Franchisee s rights under the Lease upon Franchisee's default thereunder, or hereunder Franchisee is responsible for retaining its own legal and professional advisors to assist it in reviewing and negotiating its Lease Franchisor's review and acceptance of the Lease is solely for Franchisor's benefit and is solely an indication that the Lease meets Franchisor's minimum System Standards at the time of acceptance for the Lease (which may be different than the requirements of this Agreement) such review and acceptance shall not be construed as any express or implied representation or warranty that the Lease complies with Applicable Law or represents a lease transaction that is fair or in Franchisee's best interest

5 3 2 If Franchisor or its designee elects to succeed to Franchisee's rights under the Lease, as aforesaid, Franchisee shall assign to Franchisor or such designee all of its right, title and interest in and to the Lease, whereupon the lessor thereunder shall attorn to Franchisor or such designee as the tenant thereunder Franchisee shall execute and deliver to Franchisor or such designee such assignment and take such further action as Franchisor or such designee, as applicable, in its sole and absolute discretion, may deem necessary or advisable to effect such assignment, within 10 days after written demand by Franchisor or such designee to do so, and upon Franchisee s failure to do so, Franchisor or such designee shall be, and hereby is, appointed Franchisee s attorney in fact to do so This power of attorney granted by Franchisee to Franchisor and such designee is a special power of attorney coupled with an interest and is irrevocable and shall survive the death or disability of Franchisee Any sum expended by Franchisor or such designee to cure Franchisee's breach of the Lease shall be deemed additional sums due Franchisor hereunder and Franchisee shall pay such amount to Franchisor upon demand The covenants of Franchisee contained in this Section 5 3 shall survive the termination of this Agreement Franchisor's acceptance of the Lease shall not constitute Franchisor's assurance that the terms of the Lease are favorable to Franchisee, or that the location will be successful

5 3 3 Franchisee hereby authorizes Franchisor to communicate with the lessor under the Lease (and hereby authorizes such lessor to communicate with Franchisor) for any purpose, including de identification of the Approved Location following the termination or expiration of this Agreement, Franchisee's sales Franchisee's defaults under this Agreement or the Lease and negotiating a lease for the Approved Location commencing following the termination or expiration of the Franchisee's Lease Franchisee shall at all times fully perform each and all of its obligations under the Lease

5 3 4 If the Approved Location is to be purchased by Franchisee, the contract for purchase and sale shall be subject to Franchisor s review and acceptance, a true and correct copy of which shall be delivered to Franchisor at least 15 days prior to the execution thereof, and a true and correct copy of such executed contract shall be furnished to Franchisor within 15 days after execution

5 3 5 If Franchisee or its Affiliate owns or purchases the land building or premises for the Approved Site, in addition to the rights provided for in the Addendum to Lease attached as Exhibit D Franchisee hereby grants Franchisor an option to purchase the property upon termination or expiration of the Agreement at its '**Fair Market Value**' determined in the following manner

(a) If Franchisor gives notice of its desire to exercise its said purchase option (the "**Option Notice**") Franchisor and Franchisee shall confer in good faith in an effort to mutually agree on the Fair Market Value during the 30 day period following termination, or in the case of expiration, during the 30 day period commencing 6 months prior to the scheduled expiration date of the Agreement (unless Franchisee has elected to enter into a Successor Franchise Agreement, and has such right, pursuant to Sections 3 2 through 3 4) If the parties are unable to reach agreement within such 30 day period, Franchisor and Franchisee will attempt to select a mutually acceptable appraiser within 30 days following the date of Franchisor s Option Notice and Fair Market Value will be determined by such appraiser

(b) If the parties fail to agree on an appraiser, then within 45 days following the date of the Option Notice, Franchisor will select one appraiser, and Franchisee will select one appraiser Each party shall

promptly advise the other party in writing of the identity of its appointed appraiser If either party fails to timely appoint an appraiser, then the appraiser appointed by the other party shall be the sole appraiser for the purposes of determining Fair Market Value Fair Market Value shall be (1) if one appraiser is appointed, the value established by that appraiser, or (2) if 2 appraisers are appointed, the arithmetic average of the values determined by the appraisers, provided, that if the higher value is more than 125% of the lower value, then the 2 appraisers will jointly select a third appraiser, and the Fair Market Value shall then be the arithmetic average of (i) the value determined by the 3rd appraiser and (ii) the value determined by the one of the first 2 appraisers that is nearest in value to the value determined by the 3rd appraiser If the first 2 appraisers are unable to agree upon a 3rd appraiser within 20 days of their completion of appraisals, then either party may demand the appointment of an appraiser by the then-director of the regional office of the American Arbitration Association located nearest to Franchisor's headquarters, in which event the appraiser appointed thereby shall be the third appraiser

(c) Each of the appraisers shall conduct an appraisal within 30 days after being appointed, and shall submit their appraisals in writing to Franchisee and Franchisor within such period

(d) Fair Market Value will be determined solely by reference to Franchisee's FARMER BOYS® Restaurant, and the appraiser shall be instructed in writing by each party not to, and the appraiser shall not, consider or attribute any value to (a) any goodwill or other value attributable to the FARMER BOYS® System or the Marks other than the right to utilize the FARMER BOYS® System and Marks in the operation of Franchisee's FARMER BOYS® Restaurant in accordance with, and for no more than the remaining term of, this Agreement, (b) any rights or efficiencies Franchisee may enjoy because Franchisee (or any affiliated or Related Person) operates or has the right to operate more than one FARMER BOYS® Restaurant, or (c) any 'highest and best use" value of the property if it were used for purposes other than as a restaurant An appraiser may use a bona fide third-party offer to purchase the Assets in its determination of Fair Market Value if and only if such third-party offer was delivered by Franchisee to Franchisor prior to the exercise of the purchase option

(e) Any appraiser, to be qualified to conduct an appraisal hereunder, shall be an independent appraiser (i e , not be a Related Person of Franchisee or Franchisor), an M A I appraiser or its equivalent or an investment bank, with at least ten (10) years experience, and shall have experience in valuing franchised or licensed restaurants If any appraiser initially appointed under this Agreement shall for any reason, be unable to serve, a successor appraiser shall be promptly appointed in accordance with the procedures pursuant to which the predecessor appraiser was appointed

5 4 Construction

5 4 1 Following the Effective Date and before the renovation or construction of the Licensed Restaurant or the Approved Location, Franchisor shall provide Franchisee with copies of Franchisor s System Standards for the design and layout of the Licensed Restaurant and required fixtures equipment, furnishings decor trade dress and signs Franchisee shall at its sole cost and expense promptly cause the Premises and Licensed Restaurant to be constructed, equipped and improved in accordance with such System Standards, including specified in store music system, related sound system and sound recordings designated by Franchisor and to refrain from installing or permitting to be installed on or about the Restaurant premises without Franchisor's prior written consent, any fixtures, furnishings, equipment, signage or other items not previously approved as meeting Franchisor's System Standards Franchisee shall employ licensed architects, engineers and general contractors of its own selection, and at its sole cost and expense, to prepare such architectural engineering and construction drawings and site plans, and to obtain all Permits required to construct, remodel, renovate and/or equip the Licensed Restaurant and Premises All such plans, and modifications and revisions thereto, shall be submitted to Franchisor for its prior review and acceptance before Franchisee's commencement of construction (within 180 days after Effective Date, unless Franchisor otherwise agrees in writing) If Franchisor shall not deliver written notice to Franchisee that Franchisor accepts such design criteria, the design criteria shall be deemed rejected

5 4 2 Franchisor has the right, but not the obligation, to perform inspections of the Licensed Restaurant and Premises during construction and after construction to ensure that the Licensed Restaurant is built in accordance with the drawings and specifications accepted by Franchisor, and all fixtures, signs, furnishings and equipment are in compliance with Franchisor's System Standards Franchisee may not open the Licensed Restaurant for business until Franchisee has received written authorization to open from Franchisor which authorization may be conditional and subject to Franchisor's satisfactory inspection of the Licensed Restaurant

5 4 3 Franchisee may from time to time request additional information regarding the design and construction of the Licensed Restaurant, which, if in the possession of Franchisor, shall be provided at no expense to Franchisee Upon request, Franchisor shall provide additional site visits, project management, design work and equipment purchasing services to Franchisee at Franchisee s sole cost

5 4 4 Subject only to Force Majeure (provided that Franchisee continuously complies with Section 5 4 6 of this Agreement), Franchisee shall complete construction or renovation, as the case may be, of the Premises, the Licensed Restaurant and all improvements therein, including installation of all fixtures, signs, equipment and furnishings as soon as possible, but in any event within 6 months after commencement of construction unless Franchisor consents in writing to a longer period of time The operation of the Licensed Restaurant by Franchisee shall commence not later than the Scheduled Opening Date (see Section 1 1)

5 4 5 The time periods for the commencement and completion of construction and the installation of fixtures, signs, machinery and equipment as referred to in this Section 5 4 are of the essence of this Agreement If Franchisee fails to perform its obligations contained in this Section the Franchisor may, without limiting the materiality of any other default of this Agreement, deem the Franchisee's failure to so perform its obligations to constitute a material default of this Agreement

5 4 6 In the event of the occurrence of an event which Franchisee claims to constitute Force Majeure, Franchisee shall provide written notice to Franchisor in writing within 5 days following commencement of the alleged Force Majeure which notice shall include the words Force Majeure" and explicitly describe the specific nature and extent of the Force Majeure, and how it has impacted Franchisee's performance hereunder Franchisee shall provide Franchisor with continuous updates (no less frequently than once each week) on Franchisee s progress and diligence in responding to and overcoming the Force Majeure and shall notify Franchisor immediately upon cessation of such Force Majeure, and provide all other information as may be requested by Franchisor If Franchisee shall fail to notify Franchisor of any alleged Force Majeure within said 5 days, or shall fail to provide any such updates during the continuance of the alleged Force Majeure, Franchisee shall be deemed to have waived the right to claim such Force Majeure

5 4 7 Franchisor's acceptance of Franchisee s plans and specifications for the Approved Location, Franchisor's guidance with the development of the Approved Location, and Franchisor's authorization to open the Licensed Restaurant are to assure that Franchisee complies with Franchisor's System Standards, and shall not be construed as any express or implied representation or warranty that the Approved Location complies with any Applicable Laws, codes or regulations or that the construction is sound or free from defects Franchisor's criteria for acceptance or rejection do not encompass technical, architectural or engineering considerations Franchisor will have no liability with respect to construction of the Approved Location, nor shall Franchisor be responsible in any way for delays or losses occurring during the design construction or other preparation of the Licensed Restaurant, whether caused by the condition of the Approved Location the design, engineering construction, equipping, decorating, or stocking of the Licensed Restaurant, or any other reason Franchisee expressly acknowledges and agrees that Franchisor does not, directly or indirectly, warrant or ensure that the design, decor, appearance fixtures, layout, and/or other improvements of the Licensed Restaurant will guaranty Franchisee's success

5 5 Maintaining and Remodeling of Licensed Restaurant

5 5 1 Franchisee shall maintain the condition and appearance of the Licensed Restaurant in a "like new' level of cosmetic appearance consistent with the image of Restaurants as attractive, clean, and efficiently operated, offering high quality food products and beverages, efficient and courteous service and pleasant ambiance If at any time in the Franchisor's reasonable judgment, the state of repair, appearance or cleanliness of the Franchisee s Premises (including the Licensed Restaurant and the non-Restaurant portion of Franchisee s Premises, and parking areas) or its fixtures, equipment, furnishings, signs or utensils fail to meet the Franchisor's System Standards therefor, Franchisee shall immediately upon receipt of notice from Franchisor specifying the action to be taken by Franchisee (within the time period specified by Franchisor), correct such deficiency, repair and refurbish the Licensed Restaurant and Premises as applicable, and make such modifications and additions to its layout, decor and general theme, as may be required, including replacement of worn out or obsolete fixtures, equipment, furniture signs and utensils, and repair and repainting of the interior and exterior of the Licensed Restaurant, the Premises and appurtenant parking areas (if any) Such maintenance shall not be deemed to constitute remodeling, as set forth below

5 5 2 In addition to Franchisee s obligations under Section 5 5 1 during the Term, but not more frequently than once every 5 years during the Term and as a condition to Franchisee's exercising its Successor Franchise Right, Franchisor may require Franchisee, at Franchisee s sole cost and expense, to refurbish, remodel and improve the Licensed Restaurant to conform the Franchisee's building design, trade dress, color schemes, and presentation of Marks to Franchisor's then current specified public image (or image implemented or in development at a Restaurant owned or operated by Franchisor or any of its Affiliates) Such a remodeling may include extensive structural changes to the Licensed Restaurant and replacement or modification of furnishings, fixtures and equipment as well as such other changes as the Franchisor may direct, and Franchisee shall undertake such a program promptly upon notice from the Franchisor, and shall complete any such remodeling as expeditiously as possible, but in any event within 90 days of commencing same (and no later than the commencement of the applicable Successor Term), unless Franchisor expressly agrees to a longer period of time

5 5 3 If the Licensed Restaurant is damaged or destroyed by fire or any other casualty, Franchisee within 90 days thereof, shall initiate such repairs or reconstruction, and thereafter in good faith and with due diligence continue (until completion) such repairs or reconstruction, in order to restore the premises of the Licensed Restaurant to its original condition prior to such casualty, any such repair and reconstruction shall be completed as soon as reasonably practicable but in any event within 6 months following the event causing the damage or destruction If, in the Franchisor's reasonable judgment, the damage or destruction is of such a nature or to such extent that it is feasible for Franchisee to repair or reconstruct the Approved Location and the Licensed Restaurant in conformance with Franchisor's then current System Standards including decor specifications, for new Restaurants, the Franchisor may require that Franchisee repair or reconstruct the Premises and Restaurant operated pursuant hereto in conformance with the then current System Standards

ARTICLE 6
TRAINING

6 1 Initial Training Program

6 1 1 At no extra charge, Franchisor shall provide an Initial Training Program in the Franchisor's System and methods of operation (the "**Initial Training Program**) at Franchisor s headquarters in Riverside, California and/or other location specified by Franchisor, to up to two (2) individuals selected by Franchisee who shall include the Designated Manager, and the Franchisee, if Franchisee is an individual, and Franchisee's Operating Principal, if Franchisee is an Entity Franchisee may, at Franchisor s discretion, be required to pay Franchisor s then-current training fee for any personnel, beyond the initial two (2) individuals, who attend the Initial Training Program The Initial Training Program shall consist of approximately 40 hours per week of training over a twelve (12) week period The Initial Training Program shall be provided by Franchisor prior to the opening of the Licensed Restaurant and must be completed before the Licensed Restaurant opens to the public Franchisee shall pay all travel, living, compensation and other expenses, if any, incurred by Franchisee and/or Franchisee s employees in connection with attendance at training programs Franchisee may not open the Licensed Restaurant until such training shall have been completed to the satisfaction of Franchisor and Franchisee's management team has been certified by Franchisor All personnel attending training must have first successfully completed the ServSafe program and any other third party-provided food safety training program designated by Franchisor

6 1 2 Franchisor shall determine the contents and manner of conducting the Initial Training Program in its discretion however, the training course will be structured to provide practical training in the implementation and operation of a Restaurant and may include such topics as on-site food preparation portion control, preparation and cooking procedures, packaging procedures sanitation, Franchisor's System Standards marketing and customer service techniques, reports and equipment maintenance

6 1 3 The Initial Training Program shall not be provided if (i) Franchisee and/or any Affiliate of Franchisee owns or operates two or more Restaurants as of the Effective Date, provided however that Franchisor may, in its sole discretion, require Franchisee and its Operating Principal and Designated Manager complete the Initial Training Program if Franchisee's (or its Affiliate's) existing Restaurants are not in compliance with Franchisor's System Standards, or (ii) this Agreement is executed as a Successor Franchise Agreement

6 1 4 Franchisee acknowledges that because of Franchisor's superior skill and knowledge with respect to the training and skill required to manage the Restaurant its judgment as to whether or not the Franchisee or his manager has satisfactorily completed such training shall be determined by Franchisor in its judgment

6 2 On-Site Opening Assistance Commencing at or shortly before the Licensed Restaurant opens to the public, Franchisor shall provide between two (2) weeks to one (1) month of on-site training (the exact duration to be determined by Franchisor) to Franchisee's Operating Principal and Designated Manager(s) by placing one (1) experienced manager at the Licensed Restaurant (**"On-Site Training"**) Franchisor shall provide the On-Site Training at no additional charge, provided, however, that if Franchisor determines in its reasonable discretion that more than between two (2) weeks to one (1) month of on site training is necessary, Franchisee must reimburse Franchisor for all travel, living compensation, and other expenses, incurred by Franchisor as a result of extending the On-Site Training The On-Site Training shall be provided at Franchisor's sole discretion and control, however, the training will be structured to provide additional practical training in the implementation and operation of a Restaurant

6 3 Additional Training

6 3 1 All newly hired and replacement Operating Principal(s) and Designated Managers of the Licensed Restaurant shall be subject to Franchisor s reasonable approval and shall successfully complete to Franchisor's satisfaction, the Initial Training Program conducted by Franchisor In addition if the Restaurant is not in compliance with Franchisor's System Standards, Franchisor may, in its sole discretion, require Franchisee, Franchisee's Operating Principal and Designated Manager re-attend and successfully complete, to Franchisor's satisfaction, the Initial Training Program Franchisee or Franchisee s Operating Principal or a fully trained Designated Manager shall, to Franchisor s satisfaction, train each of Franchisee's regular employees prior to when the Licensed Restaurant first opens to the public and at all times thereafter during the Term At all times during the Term, Franchisee shall employ an adequate staff of employees working at the Licensed Restaurant who shall have been fully and adequately trained, in Franchisor's judgment, and all such employees shall have completed all training certification(s) required by any Governmental Authority Notwithstanding the first sentence of this Section, the Designated Managers of Franchisee shall have the skill level, training and experience commensurate with the demands of the position and in keeping with Franchisor's high standards for quality products, courteous service and cleanliness of operations

6 3 2 Franchisee shall pay Franchisor s then current, reasonable charges (as set forth in the Manuals) for any such training performed by Franchisor at Franchisee's request, or which is otherwise required hereunder and not covered by Sections 6 1 1 and 6 2 of this Agreement

6 3 3 Franchisor may, from time to time, (i) require Franchisee, its Operating Principal and its Designated Manager(s), or any of them, to attend additional training courses or programs, though Franchisor will not require attendance more than twice per year, nor for more than three (3) days on each occasion (**Additional Training**) during the Term, or (ii) make available to Franchisee, its Operating Principal and the Designated Manager(s), or any of them, optional Additional Training during the Term Additional Training may be held on a national or regional basis at locations selected by Franchisor to instruct Franchisee with regard to new procedures or programs which Franchisor deems, in its judgment, to be of material importance to the operation of the Licensed Restaurant Such Additional Training may relate, by way of illustration, to product production techniques, new recipes, marketing, bookkeeping, accounting and general operating procedures, and the establishment, development and improvement of Information Systems Franchisor may establish charges applicable to all franchisees similarly situated for such optional training courses The time and place of such training courses shall be at Franchisor's discretion In addition to any charge Franchisor may establish Franchisee shall pay all transportation costs, food, lodging and similar costs incurred in connection with attendance at such courses Franchisor shall pay no compensation for any services performed by trainee(s) in connection with the Additional Training

6 3 4 Franchisor and its designees shall have the right to enter the Licensed Restaurant to conduct training programs for franchisees (and prospective franchisees) of Franchisor, from time to time and at a time and in a manner consistent with Franchisor's reasonably established policies and procedures in effect from time to time

6 4 Annual Meeting

6 4 1 Franchisee shall pay to Franchisor a registration fee, if one is assessed by Franchisor, of up to $500 per day to attend an annual franchise meeting or convention

6 5 Other Assistance

6 5 1 Franchisee shall have the right, at no additional charge, to inquire of Franchisor's headquarters staff, its field representatives and training staff with respect to problems relating to the operation of the Licensed Restaurant, by telephone, electronic mail, facsimile, or other means of correspondence, and Franchisor shall use its best efforts to diligently respond to such inquiries, in order to assist Franchisee in the operation of the Licensed Restaurant At no time shall reasonable assistance be interpreted to require Franchisor to pay any money to Franchisee or to defer Franchisees' obligation to pay any sums to Franchisor

6 5 2 At Franchisee's request, Franchisor may, but shall not be obligated to (a) cause its field representatives to visit the Licensed Restaurant to advise, consult with, or train Franchisee in connection with its performance and operation of the Licensed Restaurant and Franchisee s compliance with the Manuals, or (b) permit Franchisee or certain of its employees to provide assistance, consultation or additional training at a Restaurant selected by Franchisor If Franchisor provides such additional assistance, consultation or training to Franchisee (c) such assistance, consultation or training will be subject to Franchisor's capacity, scheduling, and discretion, but Franchisor shall not be obligated to provide that assistance, consultation or training, (d) Franchisee shall pay all travel, living, compensation, and other expenses, if any, incurred by Franchisee and/or Franchisee's employees in connection with such additional assistance, consultation, or training, (e) Franchisor shall not pay any compensation to Franchisee or Franchisee's employees for providing services at Franchisor's or another Franchisee's Restaurant in connection with the assistance, consultation, or training, and (f) Franchisee shall pay such training charges as may be then in effect, and shall reimburse Franchisor for all transportation costs, food, lodging and similar costs incurred by Franchisor and its personnel in connection with such training

6 5 3 In the event of any sale transfer, or Assignment, the transferee/assignee must be trained by Franchisor as a condition of Franchisor's consent to such transfer The Licensed Restaurant shall not be transferred, opened, or re-opened by the transferee until Franchisor accepts the transferee in writing as being qualified to operate the Restaurant and Franchisor has otherwise consented to the transfer in accordance with this Agreement

ARTICLE 7
MANUALS AND STANDARDS OF OPERATOR QUALITY, CLEANLINESS AND SERVICE

7 1 Compliance with Applicable Law Franchisee shall operate the Licensed Restaurant as a clean, orderly legal and respectable place of business in accordance with Franchisor s business standards and merchandising policies, and Franchisee and its Related Parties shall comply with all Applicable Laws Without limiting the generality of the foregoing, Franchisee shall not cause or allow any part of its Approved Location or Premises to be used for any immoral or illegal purpose, and Franchisee shall in all dealings with its customers, suppliers, and public officials adhere to high standards of honesty, integrity, fair dealing and ethical conduct and refrain from engaging in any action (or failing to take any action) which will cause Franchisor to be in violation of any Applicable Law Franchisee shall refrain form engaging in action (or failing to take any action), which in the sole opinion of Franchisor, causes or could cause harm to the Marks, the System and/or the FARMER BOYS® brand If Franchisee shall receive any notice, report, fine, test results or the like from the applicable state or local department of health (or other similar Governmental Authority), or notice from any customer of a material health or safety issue or violation, Franchisee shall promptly send a copy of the same to Franchisor Franchisee shall correct any such deficiency noted within 10 days or such fewer number of days as required by the applicable Governmental Authority

7 2 Operating Principal and Management Employees

7 2 1 The Operating Principal shall be principally responsible for communicating and coordinating with Franchisor regarding business, operational and other ongoing matters concerning this Agreement

and the Licensed Restaurant The Operating Principal shall have the full authority to act on behalf of Franchisee in regard to performing, administering or amending this Agreement The Operating Principal shall be vested with the authority and responsibility for the day-to-day operations of the Licensed Restaurant and all other Restaurants owned or operated, directly or indirectly, by Franchisee or its Affiliates within a geographic area specified by Franchisor The Operating Principal shall, during the entire period he or she serves as such, meet the following qualifications (a) shall devote full time and best efforts solely to operation of all Restaurants owned or operated, directly or indirectly, by Franchisee or its Affiliates in such geographic area and to no other business activities, (b) meet Franchisor's educational, experience, financial and other reasonable criteria for such position, as set forth in the Manuals or otherwise in writing by Franchisor, and (c) be an individual acceptable to Franchisor The Operating Principal shall be responsible for all actions necessary to ensure that all Restaurants owned or operated, directly or indirectly, by Franchisee in such geographic area are operated in compliance with this Agreement and the Manuals If during the Term the Operating Principal is not able to continue to serve in such capacity or no longer qualifies to act as such in accordance with this Section (including Franchisor s subsequent disapproval of such person) Franchisee shall promptly notify Franchisor of such occurrence Thereafter Franchisee shall promptly but not later than 30 days after the prior Operating Principal ceases to serve Franchisee (w) designate a replacement operating principal who meets Franchisor's then-current qualification requirements, (x) provide Franchisor with such information about such new Operating Principal as Franchisor may request, (y) cause such replacement Operating Principal to undergo, at Franchisee's cost such training as Franchisor may require, and (z) obtain Franchisor's written acceptance of such person as the Operating Principal Franchisor may, but is not required to deal exclusively with the Operating Principal in such regards unless and until Franchisor's actual receipt of written notice from Franchisee of the appointment of a successor Operating Principal who shall have been accepted by Franchisor

7 2 2 Franchisee shall notify Franchisor in writing at least 10 days prior to employing the Operating Principal setting forth in reasonable detail all information reasonably requested by Franchisor Franchisor's acceptance of the Operating Principal shall not constitute Franchisor's endorsement of such individual or a guarantee by Franchisor that such individual will perform adequately for Franchisee or its Affiliates, nor shall Franchisor be estopped from subsequently disapproving or otherwise challenging such person s qualifications or performance

7 2 3 Franchisee shall ensure that the operation of the Licensed Restaurant is at all times under the direct control of the Operating Principal or a Designated Manager At all times that the Licensed Restaurant is open and at all times which pre-opening or post-closing activities are being undertaken at the Licensed Restaurant, the Licensed Restaurant shall be managed by a person that has successfully completed training (and if required, a person that is certified, by Franchisor in its discretion, for the performance of such responsibilities) and has successfully completed the ServSafe (or other third party-provided food safety training program designated by Franchisor) course and such other courses and training as may be specified by Franchisor and/or required by Applicable Law Each such Designated Manager shall be solely dedicated to the operation of the Restaurant to which the person is assigned Franchisee shall supervise, direct and be responsible for in all respects, the activities and performance of all Operating Principals, Designated Managers and other employees of franchise and shall ensure compliance with the Manuals and otherwise

7 2 4 Upon the opening by Franchisee or its Affiliate of six (6) FARMER BOYS® Restaurants (including all Restaurants owned or operated by Franchisee and its Affiliates), Franchisee or one of such Affiliates shall hire and maintain a Multi-Unit Manager to oversee the operations of all six (6) restaurants (the "**Multi-Unit Manager**") which Multi-Unit Manager shall not also be a Designated Manager of any one or more restaurants The Multi-Unit Manager must successfully complete Franchisor s Initial Training Program as well as any additional supervisory training Franchisor may designate and must be certified by Franchisor upon completion of each required training segment Franchisee must hire an additional Multi-Unit Manager for each six (6) FARMER BOYS® Restaurants owned or operated by Franchisee and/or its Affiliates (e g , one Multi Unit Manager for 6 units, two Multi-Unit Managers for 12 units, etc)

7 3 Computer/Information Systems

7 3 1 Franchisee shall purchase use and maintain the Information Systems specified in the Manuals in accordance with the Franchisor's System Standards The Information Systems must at all time be connected to one or more high-speed communications media specified by Franchisor and be capable of accessing the Internet Franchisee must electronically link the Information Systems to Franchisor or its designee Franchisee

shall allow Franchisor and/or its designee to access the Information Systems and stored files and to add, remove configure and modify information systems via any means including electronic polling and uploads with or without notice Franchisor may from time to time upon 30 days advance written notice require Franchisee, at Franchisee s sole cost and expense to add, update, upgrade or replace the Information Systems including hardware and/or software Although Franchisor cannot estimate the future costs of the Information Systems, required hardware, software, or service or support, and although these costs might not be fully amortizable over the time remaining in the Term Franchisee agrees to acquire and incur the costs of obtaining and implementing the hardware software and other components and devices comprising the Information Systems (including additions and modifications) and all support services, service and maintenance agreements and subscriptions prescribed by Franchisor to maintain, protect and interface with Information Systems Information Systems may be provided directly by third parties or may be sold, licensed or sublicensed by or through Franchisor at a reasonable one-time or recurring charge, and pursuant to forms of agreement prescribed by Franchisor

7 3 2 Franchisee shall not use or permit the use of the Information Systems for any unlawful or non-business related activity Franchisee shall not install or use, and shall prohibit others from installing and using, unauthorized hardware or other components and devices, software on or with the Information Systems Franchisee shall take all commercially reasonable measures to insure that the Information Systems are used strictly in accordance with Franchisor's System Standards, including security protocols and protective measures including how passwords are assigned and rotated, prescribed limitations regarding which persons Franchisee may permit to access (via LAN, WAN, internet or otherwise), use, perform support and installation functions and conduct transactions with the Information Systems No virus, Trojan horse, malicious code or other unauthorized code or software is installed on, or transmitted by, the Information Systems Franchisee shall at all times provide Franchisor with all passwords, access keys and other security devices or systems as necessary to permit Franchisor to access the Information Systems and obtain the data Franchisor is permitted to obtain Franchisor reserves the right to add, control, modify govern and block any and all network and internet traffic, ports, protocols and destinations

7 3 3 Franchisee shall, upon Franchisor's request transmit e-mail digital photos and real time video and audio signals of the Restaurant to, and in the form and manner prescribed by Franchisor

7 3 4 Within a reasonable time upon Franchisor s request, Franchisee shall apply for and maintain systems for use of debit cards, credit cards, stored-value, loyalty and gift cards, certificates and other non cash payment methods Franchisee shall adhere to all PCI (Payment Card Industry), CISP (Cardholder Information Security Program) and SDP (Site Data Protection) compliance specifications as amended Franchisee shall sell, or otherwise issue, as Franchisor may designate, stored-value, loyalty and gift cards, certificates and other non-cash payment methods (collectively **'Gift Cards'**) that Franchisor designate and only in the manner specified in the Manual Franchisee shall fully honor all Gift Cards that are in the form approved or required by Franchisor, regardless of whether the Gift Card was issued by Franchisee or another franchisee or operator in the FARMER BOYS® System, or purchased at any other location, such as a retail or grocery store via the internet or via other means of distribution Franchisee shall sell, issue and redeem (without any offset) Gift Cards in accordance with the procedures and policies Franchisor may specify in the Manual or otherwise in writing (the **'Gift Card Program"**) Franchisee acknowledge that in connection with this Gift Card Program Franchisee may be required to (a) enter into a separate agreement with a third party provider of Gift Card processing services under the terms and conditions as may be required by the third party for participation in the Gift Card Program, (b) purchase or upgrade as necessary, hardware, software or other equipment, required for participation in the Gift Card Program (c) purchase and maintain sufficient inventory of Gift Cards for sale at the Licensed Restaurant, (d) promote the sale of Gift Cards using only marketing methods and materials Franchisor approve (e) comply in all material respects with all applicable laws, statutes and regulations in performing Franchisee obligations under this Agreement and otherwise in connection with the Gift Card Program and (f) execute such other agreements or documents as may be reasonably required by Franchisor in connection with the Gift Card Program Franchisee further acknowledges that Franchisor may discontinue or modify the Gift Card Program at any time, in its sole discretion, and Franchisee agree to comply with Franchisor s requests to discontinue or modify the Gift Card Program at any time

7 4 Manuals Franchisee shall participate in the System and operate the Licensed Restaurant in strict compliance with the standard procedures, policies, rules and regulations established by Franchisor and incorporated in Franchisor's Manual(s)

7 4 1 The subject matter of the Manuals may include matters such as forms, information relating to product and menu specifications, purchase orders general operations, labor management, Adjusted Gross Revenue reports, training and accounting, sanitation, staff certification design specifications and uniforms, display of signs and notices, authorized and required Information Systems, equipment and fixtures including specifications therefor, Mark usage, insurance requirements, lease requirements, ownership requirements, decor, standards for management and personnel, hours of operation, yellow page and local advertising formats standards of maintenance and appearance of the Licensed Restaurant procedures upon the occurrence of a Crisis Management Event, and required posting of notices to customers as to how to contact the Franchisor to submit complaints and feedback, participation in surveys and mystery shopper programs, and such other matters and policies as Franchisor may reasonably elect to include which relate to the System or the franchise relationship under the System In the event of any dispute as to the contents of the Manuals, the terms and contents of the master copy maintained by Franchisor shall be controlling

7 4 2 Franchisor shall have the right to modify the Manuals at any time and from time to time, provided, that no such modification shall alter Franchisee s fundamental status and rights under this Agreement Modifications in the Manuals shall become effective upon delivery of written or electronic notice thereof to Franchisee unless a longer period is specified in such written notice or unless a longer period is set forth in this Agreement The Manuals, as modified from time to time, shall be an integral part of this Agreement and reference made in this Agreement, or in any amendments, exhibits or schedules hereto, to the Manuals shall be deemed to mean the Manuals kept current by amendments from time to time

7 4 3 Upon the execution of this Agreement, Franchisor shall lend to Franchisee one copy of the Manuals, unless Franchisee purchased the Licensed Restaurant from an existing franchisee or Franchisee has entered into this Agreement as a Successor Franchise Agreement The Manuals and all amendments to the Manuals (and copies thereof) are copyrighted and remain Franchisor's property They are loaned to Franchisee for the term of the Agreement, and must be returned to Franchisor immediately upon the Agreement's termination or expiration The Manuals are highly confidential documents which contain certain Trade Secrets of Franchisor Franchisee shall not make, or cause or allow to be made any copies, reproductions or excerpts of all or any portion of the Manuals without Franchisor's express prior written consent Upon the expiration or termination of this Agreement for any reason whatsoever, Franchisee shall immediately return the Manuals to Franchisor Franchisee s loss or unauthorized transfer of the Manuals, or other breach of this Section shall, without limiting the materiality of any other default of this Agreement, constitute a material default of this Agreement

7 5 Hours Subject to Applicable Law or subsequent written agreement between Franchisor and Franchisee to the contrary, Franchisor and Franchisee agree that Licensed Restaurant shall be open and operational 7 days per week, every day of the year (except the holidays stated in the Manuals on which Franchisee is authorized to close the Licensed Restaurant), and at least during the hours established by Franchisor in the Manuals Franchisee shall diligently and efficiently exercise its best efforts to achieve the maximum Adjusted Gross Revenue possible from its Approved Location, and shall remain open for longer hours if additional opening hours are reasonably required to maximize operations and sales Notwithstanding the foregoing Franchisor may authorize or direct Franchisee and other franchisees to operate during hours and on fewer or more days than are specified in the Manuals and this Agreement

7 6 Product Line and Service Franchisee shall advertise, sell and serve all and only those Authorized FARMER BOYS® Products which Franchisor has directed to be advertised, sold and served at or from the Licensed Restaurant All Authorized FARMER BOYS® Products shall be sold and distributed under the specific name designated by Franchisor and shall be purchased, inventoried, stored, prepared and served strictly in accordance with Franchisor's recipes and specifications Franchisee shall not remove any Authorized FARMER BOYS® Product from the Franchisee's menu without Franchisor's express written approval, nor may Franchisee take any action which is intended to diminish the maximum sales potential of any of the Authorized FARMER BOYS® Products All sales by Franchisee shall be for retail consumption only Franchisee will not knowingly permit the Restaurant to be filmed or used in any visual media (including movies, on the Internet and other product placement arrangements) without Franchisor's prior written consent

7 7 Utensils, Fixtures and Other Goods All tableware flatware, utensils, glasses, menus and other like articles used in connection with the Licensed Restaurant shall conform to Franchisor's System Standards, shall be imprinted with Franchisor's Marks, if and as specified by Franchisor, and shall be purchased by Franchisee from

a Supplier approved in writing by Franchisor, as provided in Article 9 of this Agreement No item of merchandise, furnishings, interior and exterior decor items, supplies, fixtures, equipment or utensils shall be used in or upon any Restaurant unless expressly approved by Franchisor

7 8 Menus

7 8 1 Authorized FARMER BOYS® Products shall be marketed by approved menu format(s) to be utilized in the Licensed Restaurant The approved and authorized menu and menu format(s) may include, in Franchisor's discretion, requirements concerning organization, graphics, product descriptions, illustrations and any other matters related to the menu(s), whether or not similar to those listed In Franchisor's discretion, the menu and/or menu format(s) may vary depending upon region market size, and other factors Franchisor may change the menu and/or menu format(s) from time to time or region to region or authorize tests from region to region or authorize non-uniform regions or Restaurants within regions Franchisee shall have 10 days to implement all such changes to the menu(s)

7 8 2 Franchisee shall, upon receipt of notice from Franchisor add, delete, or update any Authorized FARMER BOYS® Products to its menu(s) according to the instructions contained in the notice Franchisee shall have 10 days after receipt of written notice in which to fully implement any such change Franchisee shall cease selling any previously approved product within 10 days after receipt of notice that the product is no longer approved Franchisor may instruct Franchisee to remove any item from the menu(s) on an emergency basis and Franchisee must comply with such instruction immediately Franchisor shall not be liable to Franchisee for any losses sustained by Franchisee in connection with such instruction (or Franchisee's failure to comply with such instruction)

7 8 3 All food products sold by Franchisee shall be of the highest quality, and the ingredients, composition, specifications, and preparation of such food products shall comply with the instructions and other requirements communicated by Franchisor or contained in Franchisor's Manuals from time to time

7 8 4 Franchisee may request that Franchisor approve additional menu items, including food, beverage and merchandise, to be offered at the Licensed Restaurant Franchisee shall request, in writing, that Franchisor approve such additional menu items and the Supplier of such items Upon receiving the written request, Franchisor shall evaluate the suggested menu items and the Supplier of such items in its sole discretion whether Franchisee shall be permitted to offer such items at the Licensed Restaurant Only upon receiving written approval by Franchisor, Franchisee may offer such additional menu items, subject to any conditions and/or limitations imposed by Franchisor In accordance with Section 11 10 , all Intellectual Property rights in and to the recipes and the methods and specifications for preparation of such menu items shall belong toFranchisor

7 9 Notification of Legal Proceedings, and Crisis Management Events

7 9 1 Franchisee shall notify Franchisor in writing promptly but in any event within 10 days after Franchisee receives actual notice, of the commencement of any investigation action, suit, or other proceeding, or the issuance of any order, writ injunction, award or other decree of any court, agency, or other Governmental Authority that pertains to the Licensed Restaurant or that may adversely affect Franchisee's operation of the Licensed Restaurant or ability to meet its obligations hereunder

7 9 2 Upon the occurrence of a Crisis Management Event, Franchisee shall immediately inform Franchisor, as instructed in the Manuals or otherwise by Franchisor by telephone and email (or other electronic messaging medium authorized by Franchisor for this purpose) Franchisee shall cooperate fully with Franchisor with respect to Franchisor's response to the Crisis Management Event In the event of the occurrence of a Crisis Management Event, Franchisor may also establish emergency procedures pursuant to which Franchisor may require Franchisee to, among other things temporarily close the Licensed Restaurant to the public, in which event Franchisor shall not be liable to Franchisee for any losses or costs, including consequential damages or loss profits occasioned thereby

7 10 Signs Franchisee shall maintain approved signs and/or awnings at, on or near the front of the Premises, identifying the Approved Location as a Restaurant, which shall conform in all respects to Franchisor s System Standards and requirements and the layout and design plan approved for the Approved Location, subject

only to restrictions imposed by Applicable Law On receipt of notice by Franchisor of a requirement to alter any existing sign on its premises, Franchisee will, at its cost, make the required changes within 30 days, subject to the approval of the lessor if required by Franchisee's Lease Franchisee will not be required to alter or replace the existing sign more than once every five years

7 11 Uniforms and Employee Appearance Franchisee shall cause all employees while working in the Licensed Restaurant to (i) wear uniforms of such color, design and other specifications as Franchisor may designate from time to time, and (ii) present a neat and clean appearance If Franchisor removes the type of uniform utilized by Franchisee from the list of approved uniforms Franchisee shall have 60 days from receipt of written notice of such removal to discontinue use of its existing inventory of uniforms and implement the approved type of uniform In no case shall Franchisee permit any employee of Franchisee to wear the required uniform except while working at the Licensed Restaurant without limiting the generality of the foregoing, the uniform may not be worn off Premises for any other purpose (other than while commuting to and from work at the Licensed Restaurant)

7 12 Vending or Other Machines Franchisee will install an in store music system on the Restaurant premises, but except with Franchisor's written approval, Franchisee shall not cause or permit vending, gaming machines, pay telephones, automatic teller machines, Internet kiosks or any other mechanical or electrical device to be installed or maintained at the Approved Location Franchisee shall operate each in store music system located at the Restaurant premises without charge to Franchisee's customers and otherwise in accordance with the Manuals

7 13 Co-Branding Franchisee may not engage in any co-branding in or in connection with the Licensed Restaurant except with Franchisor's prior written consent Franchisor shall not be required to approve any co-branding chain or arrangement except in its discretion, and only if Franchisor has recognized that co-branding chain as an approved co-brand for operation within Restaurants **Co-branding**" includes the operation of an independent business, product line or operating system owned or licensed by another entity (not Franchisor) that is featured or incorporated within the Franchisee s Premises or is adjacent to Franchisee's Premises and operated in a manner which is likely to cause the public to perceive it to be related to the Restaurant licensed and franchised hereunder An example would be an independent ice cream store or counter installed within Franchisee's Premises

7 14 Intranet

7 14 1 Franchisor has established and maintains an Intranet through which franchisees of Franchisor may communicate with each other, and through which Franchisor and Franchisee may communicate with each other and through which Franchisor disseminates the Manuals updates thereto and other confidential information Franchisor shall have discretion and control over all aspects of the Intranet, including the content and functionality thereof Franchisor will have no obligation to maintain the Intranet indefinitely, and may dismantle it at any time without liability to Franchisee

7 14 2 Franchisee shall have the mere privilege to use the Intranet, subject to Franchisee's strict compliance with the System Standards, protocols and restrictions that Franchisor may establish from time to time Such System Standards, protocols and restrictions may relate to, among other things, (a) the use of abusive, slanderous or otherwise offensive language in electronic communications, (b) communications between or among franchisees that endorse or encourage Default of any franchisee's franchise agreement, or other agreement with Franchisor or its Affiliates, (c) confidential treatment of materials that Franchisor transmits via the Intranet, (d) password protocols and other security precautions, including limitations on the number and types of employees that may be granted access to the Intranet, (e) grounds and procedures for Franchisor's suspending or revoking a franchisee s access to the Intranet, and (f) a privacy policy governing Franchisor s access to and use of electronic communications that franchisees post to the Intranet Franchisee acknowledges that as administrator of the Intranet, Franchisor can technically access and view any communication that any person posts on the Intranet Franchisee further acknowledges that the Intranet facility and all communications that are posted to it will become Franchisor's property, free of any claims of privacy or privilege that Franchisee or any other person may assert

7 14 3 Upon Franchisor's request Franchisee shall establish and continually maintain (during all times that the Intranet shall be established and until the termination of this Agreement) an electronic connection (the specifications of which shall be specified in the Manuals) with the Intranet that allows Franchisor to send messages to and receive messages from Franchisee, subject to the System Standards

7 14 4 At Franchisor's request, Franchisee shall contribute a reasonable amount toward the cost of the Intranet's maintenance, as imposed from time to time by Franchisor Such contribution shall be established by Franchisor by not later than January 31 of each applicable year and shall be payable 30 days thereafter

7 14 5 If Franchisee shall default under this Agreement or any other agreement with Franchisor or its Affiliate, Franchisor may, in addition to, and without limiting any other rights and remedies available to Franchisor, disable or terminate Franchisee s access to the Intranet without Franchisor having any liability to Franchisee, and in which case Franchisor shall only be required to provide Franchisee a paper copy of the Manuals and any updates thereto, if none have been previously provided to Franchisee, unless not otherwise entitled to the Manuals

7 14 6 If Franchisor has enabled the Intranet to facilitate Franchisee ordering goods and products from Franchisor and other vendors, then to the maximum extent possible, Franchisee shall order and purchase through the Intranet all good and products available for purchase through the Intranet

ARTICLE 8
ADVERTISING AND CO-OPS

8 1 General Marketing Requirements Franchisee shall only use and display approved advertising material provided, from time to time, by Franchisor and shall use and display all material in accordance with Franchisor's Policies Franchisee must obtain the prior written consent of Franchisor to use and/or display any advertising materials, including without limitation all print advertising newspaper and magazine advertisements direct mailers and mail coupons, not provided by Franchisor Franchisee shall submit all such materials to Franchisor for approval and Franchisor shall grant or deny such approval within in 15 days of receiving the materials If Franchisor has not approved such materials within 15 days the materials shall be deemed disapproved Any advertising materials or concepts created by Franchisee and approved by Franchisor shall be deemed the sole and exclusive property of Franchisor Franchisor may, in its discretion, require Franchisee to cease using any advertising materials which it has previously approved and upon receiving notification from Franchisor Franchisee shall cease using such materials

8 2 Local Advertising and Promotion

8 2 1 Each calendar year, Franchisee shall expend no less than 1% of its Adjusted Gross Revenue for local advertising of the Licensed Restaurant is primarily directed to people or companies within the Territory, if Franchisee has a single Restaurant franchise or within the Development Area ' defined in Franchisee s Area Development Agreement, if applicable (**"Local Advertising Expenditure '**) Such local advertising does not include the cost of Franchisee listing the Licensed Restaurant in the white pages or yellow pages of telephone directories Franchisee shall deliver evidence of local advertising expenditures in the form and manner prescribed by Franchisor from time to time Upon the request of Franchisor, Franchisee shall provide an advertising plan which details the local advertising to be conducted over a 12 month period Franchisor hereby reserves the right to reject all or part of such plan and Franchisee shall revise the plan in response thereto Unless Franchisor shall give its express written consent, Franchisee shall not use the Local Advertising Expenditure for yellow page advertising, market-wide research, seminars, entertainment, fees paid to consultants not approved by Franchisor, incentive programs or the value of discounts given to customers charitable contributions press parties, or specialty items (unless part of a market-wide program approved by Franchisor and the cost of the same is not recovered by promotion) Local Advertising Expenditures may include the expense of preparing, publishing, or broadcasting approved advertising materials Franchisee must submit, on a monthly basis, copies of invoices for advertising materials and/or media space and time, showing compliance with the provisions of this paragraph during the immediately preceding month Advertising expenditures in excess of the required minimum in any quarter may be used to offset shortfalls in any later month as long as the total advertising expenditures for the calendar year, on a cumulative basis, equal or exceed the stated minimum Fifty percent (50%) of money paid by Franchisee into a cooperative advertising account maintained by a regional advertising cooperative may be credited against the local advertising spending requirement, in a maximum amount equal to one-half percent (5%) of Adjusted Gross Revenue

8 2 2 In order to promote the opening of the Licensed Restaurant, Franchisee must spend at least $4,000 in addition to its ongoing local advertising obligation on a grand opening advertising program

conducted in accordance with the general guidelines in the Manual for a new Restaurant opening initial advertising program

8 3 Marketing Fund Franchisee's Marketing Fund Contribution shall be applied to the Marketing Fund An amount equal to all Marketing Fund revenues and allocations will be expended for national, regional, or local advertising, public relations or promotional campaigns or programs designed to promote and enhance the image, identity or patronage of franchised, and Franchisor-owned (including Affiliate-owned) Restaurants Such expenditures may include (a) creative development, production and placement of print advertisements, commercials musical jingles, decals, radio spots, audio advertising, point of purchase materials, direct mail pieces literature, outdoor advertising, door hangers, electronic media advertisements and other advertising and promotional material (b) creative development, preparation, production and placement of video audio and written materials and electronic media, (c) to purchase artwork and other components for advertising, (d) media placement and buying including all associated expenses and fees, (e) administering regional and multi-regional marketing and advertising programs, (f) market research, marketing studies and customer satisfaction surveys, including the use of secret shoppers (g) research, development and production of, and, to the extent applicable, acquisition of, premium items, giveaways, promotions contests, public relations events, and charitable or nonprofit events, (h) creative development of signage, posters, and individual decor items including wall graphics, (i) recognition and awards events and programs, (j) system recognition events, including periodic national and regional conventions and meetings, (k) website, extranet and/or Intranet development, implementation and maintenance, (l) development implementation and maintenance of a website that permits electronic commerce reservation system and/or related strategies, (m) retention and payment of advertising and promotional agencies and other outside advisors, including retainer and management fees, (n) public relations and community involvement activities and programs (o) expenditures for activities conducted for the benefit of co-branding, or other arrangements where FARMER BOYS® Brand Products and/or services are offered in conjunction with other marks or through alternative channels of distribution, (p) development, amendment and revisions to the System Standards set forth in the Manuals, including research and development of new or revised Restaurant trade dress and brand identity trade marks and service marks, and specialized cooking or other equipment or fixtures for use in connection with the operation of the Restaurants, (q) research and development and establishment of in store music and entertainment systems, including payment of ASCAP, BMI and other licensing fees for use of third party intellectual property, including copyrighted music and video recordings, on behalf of Restaurants operated by franchisees, Franchisor and its Affiliates, (r) purchase or reimbursement of Franchisor s purchase of advertising injury insurance coverage under Franchisor policies and (s) payment to Franchisor or its Affiliates, for internal expenses incurred related to brand advertising, the operation of its marketing/advertising department(s) if any, and the administration of the Marketing Fund

8 3 2 Franchisor may employ individuals, consultants or advertising or other agencies, including consultants or agencies owned by operated by or affiliated with Franchisor to provide services for the Marketing Fund The Marketing Fund may be used to defray direct expenses of Franchisor employees related to the operation of the Marketing Fund to pay for attorneys' fees and other costs related to the defense of claims against the Marketing Fund or against Franchisor relating to the Marketing Fund and to pay costs with respect to collecting amounts due to the Marketing Fund

8 3 3 Franchisor shall determine, in its discretion, the cost, media, content, format style, timing, allocation and all other matters relating to such advertising, public relations and promotional campaigns Franchisee acknowledges that not all Franchisees are or shall be required to contribute, or contribute the same percentage of Adjusted Gross Revenue, to the Marketing Fund Nothing herein shall be construed to require Franchisor to allocate or expend Marketing Fund contributions or allocations so as to benefit any particular franchisee Franchisee or group of franchisees or franchisees on a pro rata or proportional basis or otherwise Except as directed in writing by Franchisor Franchisee must participate in all advertising, marketing, promotions, research and public relations programs instituted by the Marketing Fund Franchisor may make copies of advertising materials available to Franchisee with or without additional reasonable charge, as determined by Franchisor Any additional advertising shall be at the sole cost and expense of Franchisee The Marketing Fund shall, as available, provide to Franchisee marketing, advertising and promotional formats and sample materials at the Marketing Fund s direct cost of producing such items, plus shipping and handling Franchisor (or its Affiliate) may collect rebates and allowances and credits from suppliers based on purchases or sales by Franchisee, contribute all or a portion to the Marketing Fund, or otherwise use such sums for advertising the FARMER BOYS® brand, or one or more of the purposes described in Section 8 3 1 , or remit all or a portion of such amounts to franchisees in good standing for use in local advertising or other designated purposes, as determined by Franchisor Any such

contribution of such rebates or credits to the Marketing Fund shall not reduce Franchisee's obligation to pay the Marketing Fund Contribution Franchisor may include information regarding acquiring a franchise on or as a part of materials and items produced by or for the Marketing Fund

8 3 4 Franchisor shall either (i) transfer the Marketing Fund Contributions to a separate Entity to whom Franchisor has assigned or delegated the responsibility to operate and maintain the Marketing Fund, or (ii) administratively segregate on its books and records all Marketing Fund Contributions received from Franchisee and all other franchisees of Franchisor Nothing herein shall be deemed to create a trust fund, and Franchisor may commingle advertising fees with its general operating funds and expend such sums in the manner herein provided For each Restaurant that Franchisor or any of its Affiliate operates Franchisor or such Affiliate will similarly allocate to the Marketing Fund the amount that would be required to be contributed to the Marketing Fund if it were a licensed Restaurant, based on the contribution rate in effect at the time the Restaurant is opened by, or is transferred from an existing franchisee to, Franchisor or its Affiliate

8 3 5 If less than the total of all contributions and allocations to the Marketing Fund are expended during any fiscal year, such excess may be accumulated for use during subsequent years Franchisor may spend in any fiscal year an amount greater or less than the aggregate contributions to the Marketing Fund in that year and may cause the Marketing Fund to borrow funds to cover deficits or invest surplus funds If Franchisor (or an Affiliate) advances money to the Marketing Fund, it will be entitled to be reimbursed for such advances Any interest earned on monies held in the Marketing Fund may be retained by Franchisor for its own use in its discretion Within 60 days following each fiscal year, Franchisor shall prepare a statement of contributions and expenditures for the Marketing Fund and, upon Franchisee's written request, Franchisor shall provide such information to Franchisee

8 4 Co-op Advertising The Franchisor may, but is not obligated to, from time to time establish regions for co-operative advertising ('**Co-op Advertising Regions**"), to coordinate advertising, marketing efforts and programs and maximizing the efficient use of local and/or regional advertising media

8 4 1 If and when Franchisor creates a Co-op Advertising Region for the region in which the Restaurant operated hereunder is located, Franchisee (and if Franchisor or an Affiliate of Franchisor owns a Restaurant in such Co-op Advertising Region, then Franchisor or such Affiliate of Franchisor), shall become a subscriber and member thereof and shall execute and participate in accordance with the Subscription Agreement and the Certificate of Incorporation and Bylaws of such Co-op Advertising Region on the forms prescribed by Franchisor The size and content of such regions, when and if established by the Franchisor, shall be binding upon Franchisee, and all other similarly situated franchisees of the System and Franchisor or such Affiliate of Franchisor, if it operates Restaurants in the region At all meetings of such Co-op Advertising Region each participating Franchisee, as well as Franchisor (or such Affiliate) if applicable, shall be entitled to one vote for each Restaurant located within such Co-op Advertising Region or such other vote as may reasonably be determined by Franchisor

8 4 2 Franchisee and other members of the Co-op Advertising Region, whose agreements require their participation, will contribute to the Co-op Advertising Region such amount as may be determined by Franchisor *provided however* the rate of contribution may be increased in excess of such amount from time to time upon the affirmative vote or consent of not less than a majority of the voting power of the Co-op Advertising Region, but the Co-op Advertising Region may not reduce any minimum contribution rate established by Franchisor (subject to the limitations set forth in this Section)

8 4 3 Subject to Section 8 4 1 of this Agreement, each Co-op Advertising Region will decide as to the usage of funds available to it for media time production of media materials, whether for radio, television, newspapers or Restaurant level materials such as flyers, or posters, or for any other type of advertising or marketing use, and then such Co-op Advertising Region shall in writing request approval from Franchisor to use said funds in said manner Franchisor shall not withhold approval unreasonably, but no placement of advertising or commitment of advertising funds on behalf of a Co-op Advertising Region will be made without Franchisor s prior written approval Franchisor reserves the right to establish general standards concerning the operation of the Co-op Advertising Region, advertising agencies retained by Co-op Advertising Region, and advertising programs conducted by Co-op Advertising Region Any disputes (other than pricing) arising among or between Franchisee, other franchisees, and/or the Co-op Advertising Region may be resolved by Franchisor whose decision shall be final and binding on all parties No Co-op Advertising Region may appoint or pay from the funds collected by the Co-op

Advertising Region fees or costs of any advertising agency or buying group without the prior written permission of Franchisor

8 5 Telephone Numbers and Directory Advertising In addition to the Marketing Fund Contributions and Franchisees required expenditures under Sections 8 2 and 8 3 , Franchisee shall, at its sole expense subscribe for and maintain throughout the Term, one or more listed telephone numbers which shall be listed in the white pages and under such headings in the yellow pages of such telephone directory or directories as Franchisor may reasonably designate or approve which service Franchisee's trade area, as reasonably determined by Franchisor Franchisor reserves the right to establish general standards concerning directory and other types of advertising

8 6 Promotional Campaigns From time to time during the term hereof Franchisor shall have the right to establish and conduct promotional campaigns on a national or regional basis, which may by way of illustration and not limitation promote particular products or marketing themes Franchisee and each Co-op Advertising Region, if any, agrees to participate in such promotional campaigns upon such terms and conditions as the Franchisor may establish Franchisee acknowledges and agrees that such participation may require Franchisee to purchase point of sale advertising material posters, flyers, product displays and other promotional material (unless provided at no charge through the Marketing Fund)

8 7 Internet

8 7 1 Neither Franchisee nor its Affiliate nor their respective Owners or Related Persons, shall directly or indirectly develop, create, generate, own, license lease or use in any manner any computer medium or electronic medium (including any Internet home page, e-mail address, website, domain name, bulletin board, newsgroup or other Internet-related medium or activity) which in any way uses or displays, in whole or part, the Marks, or any of them, or any words, symbols or terms confusingly similar thereto without Franchisor s express prior written consent and then only in such manner and in accordance with such System Standards as Franchisor may establish from time to time

8 7 2 Franchisor has established one or more Internet web sites Franchisor shall have discretion over the design, content and functionality of such web sites Franchisor may include one or more interior pages that identifies Restaurants operated under the Marks, including the Licensed Restaurant, by among other things, geographic region, address telephone number(s), and menu items Such web-site(s) may also include one or more interior pages dedicated to the sale of franchises by Franchisor and/or relations with Franchisor s or its Affiliate's investors Franchisor may permit Franchisee to periodically select from Franchisor s designated alternative design elements for an interior page (or portion thereof) dedicated to the Licensed Restaurant Such designated alternative design elements may change from time to time Franchisor will implement any such designated design elements or changes promptly, subject to Franchisor's business needs and scheduling availability Franchisor may disable or terminate such website(s), in whole or in part, without Franchisor having any liability to Franchisee

8 7 3 Franchisee acknowledges and agrees that Franchisor (or its Affiliate) is the owner of, and will retain all right, title and interest in and to (i) the domain names Farmer Boys' (ii) the URLs www farmerboys com www farmerboys biz, www farmerboys info www fastaurant biz, www fastaurant info, www fastaurant net, www fastaurant org, all existing and future domain names, URLs future addresses and subaddresses using the Marks in any manner, (iii) means all computer programs and computer code (e g , HTML, XML DHTML, Java) used for or on the Franchisor's web site(s), excluding any software owned by third parties, (iv) all text, images, sounds, files, video, designs animations, layout, color schemes, trade dress, concepts, methods techniques, processes and data used in connection with, displayed on or collected from or through Franchisor s web site(s), and (iv) all intellectual property rights in or to any of the foregoing

ARTICLE 9
DISTRIBUTION AND PURCHASE OF EQUIPMENT, SUPPLIES, AND OTHER PRODUCTS

9 1 FARMER BOYS® Brand Products At all times throughout the Term, Franchisee shall purchase and maintain in inventory such types and quantities of FARMER BOYS® Brand Products as are needed to meet

reasonably anticipated consumer demand Franchisee shall purchase FARMER BOYS® Brand Products solely and exclusively from Franchisor or its designees

9 2 Proprietary Products Franchisor may, from time to time throughout the Term, require that Franchisee purchase, use, offer and/or promote, and maintain in stock at the Licensed Restaurant (i) in such quantities as are needed to meet reasonably anticipated consumer demand, certain proprietary products, sauces, dressings, condiments, beverages, food products and other ingredients and raw materials, which are grown and produced or manufactured in accordance with Franchisor's Trade Secrets, proprietary recipes, specifications and/or formulas or which Franchisor designates as 'proprietary ' and (ii) certain packaging, Information Systems, other products, supplies, services and equipment designated by Franchisor as "proprietary ' (**Proprietary Products**) Franchisee shall purchase Proprietary Products only from Franchisor or its Affiliates (if they sell the same), or Franchisor's designees Franchisor shall not be obligated to reveal such Trade Secrets, recipes, specifications and/or formulas of such Proprietary Products to Franchisee, non-designated suppliers, or any other third parties

9 3 Non-Proprietary Products Franchisor may designate certain food products, condiments, merchandise, beverages, raw materials, fixtures, furnishings, equipment, uniforms, supplies, paper goods, services, menus, packaging, forms, Information Systems and other products, supplies, services and equipment, other than Proprietary Products, which Franchisee may or must use and/or offer and sell at the Licensed Restaurant (' **Non-Proprietary Products**') Franchisee may use offer or sell only such Non-Proprietary Products that Franchisor has expressly authorized, and that are purchased or obtained from Franchisor or a producer, manufacturer, distributor, supplier or service provider ('**Supplier**") designated or approved by Franchisor pursuant to Section 9 3 2 of this Agreement

9 3 1 Franchisee may purchase authorized Non Proprietary Products from (i) Franchisor or its Affiliates (if they sell the same), (ii) Suppliers designated by Franchisor, or (iii) Suppliers selected by Franchisee and approved in writing by Franchisor prior to Franchisee making such purchase(s) and who must comply with Franchisor's requirements including those regarding insurance, indemnification and non-disclosure, and demonstrate to the satisfaction of Franchisor (a) its ability to supply a Non-Proprietary Product meeting Franchisor's System Standards which may include specifications as to brand name, model, contents manner of preparation, ingredients, quality, freshness and compliance with governmental standards and regulations, (b) its reliability with respect to delivery and the consistent quality of its products or services, and (c) its ability to meet such other requirements as determined by Franchisor to be in the best interest of the system

9 3 2 If Franchisee should desire to procure authorized Non-Proprietary Products from a Supplier other than Franchisor or one previously approved or designated by Franchisor (and not subsequently disapproved), Franchisee shall deliver written notice to Franchisor of its desire to seek approval of such Supplier, which notice shall (a) identify the name and address of such Supplier, (b) contain such information as may be requested by Franchisor or required to be provided pursuant to the Manuals (which may include reasonable financial, operational and economic information regarding its business and its product), and (c) identify the authorized Non-Proprietary Products desired to be purchased from such Supplier Franchisor shall upon request of Franchisee, furnish to Franchisee the general, but not manufacturing specifications for such Non-Proprietary Products if such are not contained in the Manuals The Franchisor may thereupon request that the proposed Supplier furnish Franchisor at no cost to Franchisor, product samples specifications and such other information as Franchisor may require Franchisor or its representatives including qualified third parties shall also be permitted to inspect the facilities of the proposed Supplier and establish economic terms, delivery, service and other requirements consistent with other distribution relationships for other Restaurants

9 3 3 Franchisor will use its good faith efforts to notify Franchisee of its decision within 60 days after Franchisor's receipt of Franchisee's request for approval and other requested information and items in full compliance with this Section 9 3 , should Franchisor not deliver to Franchisee within 60 days after it has received such notice and all information and other items requested by Franchisor in order to evaluate the proposed Supplier, a written statement of approval with respect to such Supplier such Supplier shall be deemed disapproved as a Supplier of the authorized Non-Proprietary Products described in such notice

9 4 Supplier Approvals Nothing in this Article 9 shall require Franchisor to approve any Supplier, and without limiting Franchisor s right to approve or disapprove a Supplier in its discretion Franchisee acknowledges that it is generally disadvantageous to the system from a cost and service basis to have more than one

Supplier in any given market area and that among the other factors Franchisor may consider in deciding whether to approve a proposed Supplier, it may consider the effect that such approval may have on the ability of Franchisor, its Affiliates and other franchisees to obtain the lowest distribution costs and on the quality, uniformity and safety of products offered system-wide, as well as the ability to quickly and efficiently trace the original source of all products used in connection with the operation of FARMER BOYS® Restaurants

9 4 1 Without limiting the foregoing Franchisor may disapprove a proposed Supplier, if in Franchisor s opinion, the approval of the proposed Supplier would disrupt or adversely impact Franchisor's national or regional distributional arrangements Franchisor may also determine that certain Non-Proprietary Products (e g beverages) shall be limited to a designated brand or brands set by Franchisor Franchisor may revoke its approval upon the Supplier's failure to continue to meet any of Franchisor s criteria Franchisee agrees that at such times that Franchisor establishes a regional purchasing program for any Authorized FARMER BOYS® Products, any raw materials used in the preparation of Authorized FARMER BOYS® Products, Proprietary Products or Non-Proprietary Products used in the operation of the Licensed Restaurant, which may benefit Franchisee by reduced price lower labor costs, production of improved products, increased reliability in supply, improved distribution, raw material cost control (establishment of consistent pricing for reasonable periods to avoid market fluctuations), improved operations by Franchisee or other tangible benefits to Franchisee, or food safety and/or supply chain control benefits to Franchisor, Franchisee will participate in such purchasing program in accordance with the terms of such program

9 4 2 As a further condition of its approval of a Supplier, Franchisor may require a Supplier to execute a license or other agreement prescribed by Franchisor, agreeing in writing (i) to provide from time to time upon Franchisor's request free samples of any Non-Proprietary Product it intends to supply to Franchisee, (ii) to faithfully comply with Franchisor's System Standards for applicable Non-Proprietary Products sold by it, (iii) to sell any Non-Proprietary Product bearing the Franchisor's Marks only to franchisees and Franchisees of Franchisor and only pursuant to a trademark license agreement in form prescribed by Franchisor, (iv) to provide to Franchisor duplicate purchase invoices for Franchisor s records and inspection purposes and (v) to otherwise comply with Franchisor's reasonable requests

9 4 3 Franchisee or the proposed Supplier shall pay to Franchisor in advance (or upon Franchisor s request, reimburse Franchisor for) all of Franchisor's anticipated costs in reviewing the application of the Supplier to service the Franchisee and all current and future costs and expenses, including travel and living costs related to inspecting, re inspecting and auditing the Suppliers facilities, equipment, and food products, and all product testing costs paid by Franchisor to third parties

9 4 4 Franchisee shall at all times remain current and fully comply and perform each of its obligations to its landlord, vendors and Suppliers

9 5 Test Marketing Franchisor may, from time to time, authorize Franchisee to test market products and/or services in connection with the operation of the Licensed Restaurant Franchisee shall cooperate with Franchisor in connection with the conduct of such test marketing and shall comply with the Franchisor s rules and regulations established from time to time in connection herewith

9 6 Customer Reporting and Comments

9 6 1 At Franchisor's request, Franchisee shall use reasonable efforts to secure the names addresses and other information reasonably required by Franchisor of Franchisee's customers at the Licensed Restaurant and shall allow such information to be used by Franchisor Franchisee may not divulge such customer names, addresses or other information, with or without remuneration, to any third party Franchisee shall respond promptly to each customer inquiry or complaint and resolve all reasonable complaints to the customer s satisfaction

9 6 2 At Franchisor s request, Franchisee shall purchase, use and display in the Licensed Restaurant during all operating hours customer comment and other cards in the manner specified in the Manuals, or use other physical and electronic methods to gather customer information and comments regarding their experience at the Licensed Restaurant, or FARMER BOYS® Restaurants in general

ARTICLE 10
REPORTS, BOOKS AND RECORDS, INSPECTIONS

10 1 General Reporting Franchisee shall, as and when specified by Franchisor, submit to Franchisor statistical control forms and such other financial, operational and statistical information (by paper, facsimile, email, or other method of transmission) as Franchisor may require to (i) assist Franchisee in the operation of the Licensed Restaurant in accordance with the System, (ii) allow Franchisor to monitor the Franchisee's Adjusted Gross Revenue, purchases, costs and expenses, (iii) enable Franchisor to develop chain wide statistics which may improve bulk purchasing, (iv) assist Franchisor in the development of new authorized products or the removal of existing unsuccessful Authorized FARMER BOYS® Products, (v) enable Franchisor to refine existing Authorized FARMER BOYS® Products, (vi) generally improve chain-wide understanding of the System (collectively, the '**Information**') Without limiting the generality of the foregoing

10 1 1 Unless otherwise agreed by Franchisor in writing, Franchisee shall also submit condensed reports (by paper, facsimile, email, or other method of transmission) of daily Adjusted Gross Revenue to Franchisor on a weekly basis in accordance with the guidelines established by Franchisor Franchisee will electronically link the Licensed Restaurant to Franchisor and will allow Franchisor to poll on a daily basis at a time selected by the Franchisor the Licensed Restaurant Information Systems to retrieve Information including sales, sales mix, usage, and operations data

10 1 2 On or before the Wednesday following each Week during the Term hereof, Franchisee shall submit a Adjusted Gross Revenue report signed by Franchisee, on a form prescribed by Franchisor, reporting all Adjusted Gross Revenue for the preceding Week, together with such additional financial information as Franchisor may from time to time request

10 1 3 On or before the 45th day following each calendar quarter during the Term hereof, Franchisee shall submit to Franchisor financial statements for the preceding calendar quarter, including a balance sheet and profit and loss statement, prepared in the form and manner prescribed by the Franchisor and in accordance with generally accepted accounting principles, which shall be certified by Franchisee to be accurate and complete

10 1 4 Within 45 days following the end of each calendar year, Franchisee shall submit to Franchisor an unaudited annual financial statement prepared in accordance with generally accepted accounting principles, and in such form and manner prescribed by Franchisor, which shall be certified by Franchisee and its treasurer or chief financial officer, to be accurate and complete Franchisee must also submit to Franchisor, upon demand, copies of all federal, state, and local income, sales, and property tax returns relating to the Restaurant and its operations including a copy of the original signed 1120 or 1120S tax form each and every year or any other forms which take the place of the 1120 or 1120S forms and copies of signed original sales and use tax forms contemporaneously with their filing with the appropriate state or local authority Franchisor reserves the right to require such further information concerning the Licensed Restaurant as Franchisor may from time to time reasonably request Franchisee acknowledges and agrees that Franchisor may use this data to confirm that Franchisee is complying with its obligations under this Agreement and to formulate earnings and expense information to disclose to prospective franchisees as well as to advise Franchisee on Restaurant operations

10 2 Inspections Franchisor's authorized representatives shall have the right, from time to time, with or without advance notice, to enter upon the entire premises of the Licensed Restaurant during business hours to examine same, conferring with Franchisee s employees, inspecting and checking operations, food, beverages, furnishings, interior and exterior decor, supplies, fixtures, and equipment, and determining whether the business is being conducted in accordance with this Agreement, the System and the Manuals Franchisor shall use reasonable efforts to avoid materially disrupting the operation of the Licensed Restaurant If any such inspection indicates any deficiency or unsatisfactory condition with respect to any matter required under this Agreement or the Manuals, including quality, cleanliness, service, health and authorized product line, Franchisor will notify Franchisee in writing of Franchisee's non-compliance with the Manuals, the System, or this Agreement and Franchisee shall promptly correct or repair such deficiency or unsatisfactory condition In accordance with Section 7 4 , Franchisor may require Franchisee to take and thereafter Franchisee shall take, immediate corrective action, which action may include temporarily closing the Licensed Restaurant

10 3 Audits Franchisee shall prepare and keep for not less than 7 years following the end of each of its fiscal years, or such longer period required under Applicable Law, adequate books and records showing daily receipts in, at, and from the Licensed Restaurant, applicable sales tax returns (if any), all pertinent original serially numbered sales slips and cash register records and such other sales records as may be reasonably required by Franchisor from time to time to verify Adjusted Gross Revenue and purchases reported by Franchisee to Franchisor, in a form suitable for an audit of its records by an authorized auditor or agent of Franchisor Such information shall be broken down by categories of goods, foods and beverages sold, where possible Franchisor, its agents or representatives may, at any reasonable time during normal working hours, audit or review Franchisee's books and records (including back-up information and the tax forms and information described in Section 10 1 4), in accordance with generally accepted standards established by certified public accountants Franchisor may also conduct the audit at a site other than the Location and Franchise shall provide all information to Franchisor, its agents or representatives, promptly upon demand (but not later than 5 days following the date of the request) If any audit or other investigation reveals an under-reporting or under-recording error, then upon demand Franchisee shall pay the amount determined to be owed, plus interest at the highest compound rate permitted by Applicable Law, but not to exceed the rate of 10% percent per annum In addition, if any such audit or other investigation reveals an under-reporting or under-recording error of 5% or more, then in addition to any other sums due and in addition to any other rights and remedies it may have, including the right to terminate this Agreement as provided in Article 14 the expenses of the audit/inspection shall be borne and paid by Franchisee upon billing by Franchisor, which shall include Franchisor's travel, lodging, wage expense and reasonable accounting and legal expense

10 4 Books and Records Franchisee shall maintain an accounting and record keeping system in accordance with sound business practices which shall provide for basic accounting information necessary to prepare financial statements, a general ledger, and reports required by this Agreement and the Manuals Franchisee shall maintain accurate adequate and verifiable books and supporting documentation relating to such accounting information

ARTICLE 11
TRADEMARKS AND OTHER INTELLECTUAL PROPERTY

11 1 Use of Marks Subject to Section 11 7 of this Agreement, the Licensed Restaurant shall be named FARMER BOYS® with only such additional prefix or suffix as may be required by Franchisor from time to time Franchisee shall use and display such of Franchisor s trade dress, Marks and such signs, advertising and slogans only as Franchisor may from time to time prescribe or approve Upon expiration or sooner termination of this Agreement, Franchisor may, if Franchisee does not do so, execute in Franchisee s name and on Franchisee's behalf, any and all documents necessary in Franchisor's judgment to end and cause the discontinuance of Franchisee s use of the trade dress and Marks and Franchisor is hereby irrevocably appointed and designated as Franchisee s attorney-in-fact so to do Franchisee shall not imprint or authorize any person to imprint any of the Marks on any product without the express written approval of Franchisor Franchisee shall not use the Marks in connection with any offering of securities or any request for credit without the prior express written approval of Franchisor Franchisor may withhold or condition any approval related to the Marks, including those described in this Section, in its discretion During the Term, Franchisee shall conspicuously display notices identifying the Licensed Restaurant as an independently owned and operated franchise of Franchisor, in the form and manner specified by Franchisor, including on all invoices order forms, receipts, checks business cards, on posted notices located the Location and in other media and advertisements as Franchisor may direct from time to time Business cards, stationery, purchase order forms, invoices, leases, tax returns, and other documents Franchisee uses in Franchisee's business dealings with Suppliers, lessors, government agencies, employees, and customers must clearly identify Franchisee as an independent legal entity operating under a FARMER BOYS® franchise

11 2 Non-Use of Trade Name If Franchisee is an Entity it shall not use Franchisor's Marks, or Franchisor's trade name, or any words or symbols which are confusingly phonetically or visually similar to the Marks, as all or part of Franchisee s name

11 3 Use of Other Trademarks Franchisee shall not display the trademark, service mark, trade name, insignia or logotype of any other person or Entity in connection with the operation of the Licensed Restaurant without the express prior written consent of Franchisor which may be withheld in its discretion provided however, in the case of a Non-Traditional Venue, the Premises (but not the Restaurant) may display the trademarks, service marks and other commercial symbols of Franchisee or third parties, in accordance with the terms herein contained

11 4 Non-ownership of Marks Nothing herein shall give Franchisee, and Franchisee shall not assert any right, title or interest in Franchisor's trade dress, or to any of the Marks or the goodwill annexed thereto, except a mere privilege and license during the term hereof, to display and use the same according to the terms and conditions herein contained

11 5 Defense of Marks If Franchisee receives notice, or is informed of any claim suit or demand against Franchisee on account of any alleged infringement, unfair competition (**Trademark Claim**) or similar matter on account of its use of the Marks in accordance with the terms of this Agreement, Franchisee shall promptly notify Franchisor of any such claim, suit or demand Thereupon, Franchisor shall take such action as it may deem necessary and appropriate to protect and defend Franchisee against any such claim by any third party, Franchisor shall not be obligated to take any such action, however Franchisee shall not settle or compromise any such claim by a third party without the prior written consent of Franchisor Franchisor shall have the sole right to defend, compromise or settle any such claim, in its discretion at Franchisor's sole cost and expense, using attorneys of its own choosing, and Franchisee shall cooperate fully with Franchisor in connection with the defense of any such claim Franchisee may participate at its own expense in such defense or settlement, but Franchisor's decisions with regard thereto shall be final

11 6 Prosecution of Infringers If Franchisee shall receive notice or is informed or learns that any third party, which it believes to be unauthorized to use the Franchisor s trade dress or Marks, is using Franchisor's trade dress or Marks or any variant thereof, Franchisee shall promptly notify Franchisor of the facts relating to such alleged infringing use Thereupon, Franchisor shall in its discretion, determine whether or not it wishes to take any action against such third person on account of such alleged infringement of the trade dress and/or Marks Franchisee shall have no right to make any demand against any such alleged infringer or to prosecute any claim of any kind or nature whatsoever against such alleged infringer for or on account of such infringement

11 7 Modification of Marks From time to time, in the Manuals or in directives or bulletins supplemental thereto, Franchisor may add to, delete or modify any or all of the Marks and trade dress Franchisee shall, at its cost and expense, use, or cease using as may be applicable, the Marks and/or trade dress including any such modified or additional trade names, trademarks, service marks, logotypes and commercial symbols in strict accordance with the procedures, policies, rules and regulations contained in the Manuals or in written directives issued by Franchisor to Franchisee, as though they were specifically set forth in this Agreement Except as Franchisor may otherwise direct Franchisee shall implement any such change within 60 days after notice thereof by Franchisor, at Franchisee's expense If Franchisor learns that there exist any company(ies) who is or are presently using the FARMER BOYS® Mark or another name confusingly similar thereto in connection with business(es) which are the same as or similar to the business contemplated to be operated by Franchisee pursuant to this Agreement, or if Franchisor or Franchisee shall be required to cease using the Marks (or any of them) by court order, or as a result of any settlement of any Trademark Claim by the pre-existing user, or any other Trademark Claim, or if Franchisor or its Affiliate shall deem it necessary or appropriate to change the name of the Restaurant in order to mitigate any potential exposure or damages arising under any Trademark Claim, Franchisee shall promptly change the name of the Restaurant to an alternative name determined by Franchisor or its Affiliate In such event, Franchisor shall reimburse Franchisee for the actual, reasonable out of pocket costs of changing Franchisee s signs and menus to incorporate such new name and Mark, not to exceed $2,000 Neither Franchisor nor its Affiliate shall otherwise be liable for any losses or any consequential damages including lost future profits resulting from or arising out of the Trademark Claim(s)

11 8 Acts in Derogation of the Marks Franchisee agrees that Franchisor s trade dress and the Marks are the exclusive property of Franchisor and/or its Affiliates and Franchisee now asserts no claim and will hereafter assert no claim to any goodwill, reputation or ownership thereof by virtue of Franchisee's licensed and/or franchised use thereof, or otherwise Franchisee further agrees that it is familiar with the standards and high quality of the use by Franchisor and others authorized by Franchisor of the trade dress and Marks in the operation of Restaurants and agrees that Franchisee will maintain this standard in its use of the Marks and trade dress All use of the Marks and trade dress by Franchisee inures to the benefit of Franchisor Franchisee shall not contest or assist anyone in contesting at any time during or after the Term, in any manner, the validity of any Mark or its registration, and shall maintain the integrity of the Marks and prevent their dilution Franchisee shall not do or permit any act or thing to be done in derogation of any of the rights of Franchisor or its Affiliates in connection with the same, either during the Term of this Agreement or thereafter, and that it will use the Marks and Franchisor s trade dress only for the uses and in the manner licensed and/or franchised hereunder and as herein provided Without limiting the foregoing,

Franchisee shall not (i) interfere in any manner with, or attempt to prohibit, the use of Franchisor's trade dress and/or the Marks by any other franchisee or licensee of Franchisor or (ii) divert or attempt to divert any business or any customers of the Licensed Restaurant to any other person or Entity, by direct or indirect inducement or otherwise, or do or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with the Marks

11 9 Assumed Name Registration If Franchisee is required to do so by Applicable Law Franchisee shall promptly upon the execution of this Agreement file with applicable Governmental Authorities, a notice of its intent to conduct its business under the name 'FARMER BOYS® with only such additional prefix or suffix as may be required by Franchisor from time to time Promptly upon the expiration or termination of this Agreement for any reason whatsoever Franchisee shall promptly execute and file such documents as may be necessary to revoke or terminate such assumed name registration, and if Franchisee shall fail to promptly execute and file such documents as may be necessary to effectively revoke and terminate such assumed name registration, Franchisee hereby irrevocably appoints Franchisor as its attorney in-fact to do so for and on behalf of Franchisee Franchisee must sign an Assignment of Telephone Numbers, Email Addresses and URL's, in the form of Exhibit F to this Agreement, when Franchisee signs this Agreement

11 10 Concepts Developed by Franchisee Franchisor shall own all copyrights and other intellectual property rights to the Manuals, and any and all works ideas, concepts formulas, trade secrets know how, recipes, methods, techniques relating to the operation of the FARMER BOYS® Restaurants or the services or products offered or sold in connection therewith including those that may be developed or conceived by Franchisee as described in Section 7 8 4 ("**Intellectual Property**'), and Franchisee shall not claim or assert any right, title or interest in such copyrights or other proprietary rights or to the information contained in or embodying the Intellectual Property If Franchisee or any of its employees or contractors during the term of this Agreement, develops, creates, invents conceives or otherwise devises any Intellectual Property, all such Intellectual Property shall be the sole property of Franchisor and Franchisor shall be the sole owner of all worldwide rights in connection therewith All Intellectual Property shall be the sole property of Franchisor, and Franchisor shall be the sole owner of all worldwide rights in connection therewith To the extent possible under Applicable Law, Franchisee agrees that the Intellectual Property developed, created, invented, conceived or otherwise devised by Franchisee (or its employees or contractors) shall be considered "works made for hire" on behalf of Franchisor under 17 U S C Section 101 To the extent not deemed "works made for hire' , Franchisee hereby assigns to Franchisor, and shall execute any instruments required by Franchisor to effectuate such assignment, any and all rights that it may have or acquire in such Intellectual Property, including the right to modify such Intellectual Property and the right to sue for past and future infringement of any of such rights Franchisee agrees to waive and/or release all rights of restraint and moral rights in the Intellectual Property Franchisee shall assist Franchisor in every proper way (but at Franchisor's expense) to obtain and enforce patents, copyrights trademarks or other proprietary rights in such Intellectual Property and Franchisee will execute all documents for use in applying for and obtaining such rights and enforcing them as Franchisor may desire If Franchisor is unable for any reason whatsoever to secure Franchisee's signature to any lawful and necessary document required to apply for or execute any application with respect to such Intellectual Property Franchisee hereby irrevocably designates and appoints Franchisor and its duly authorized officers and agents, as his agents and attorneys-in-fact to act for and in his behalf and to execute and file any such application and to do all other lawfully permitted acts to further the prosecution and issuance of patents, copyrights, trademarks or other rights therein, with the same legal force and effect as if executed by Franchisee If and to the extent Franchisee has or acquires any rights in the Intellectual Property Franchisee hereby grants to Franchisor a non-exclusive, royalty-free, transferable sub-licensable irrevocable, perpetual, worldwide license in, to and under its rights to make have made, modify, create derivative works of, use, sell, import, export, license, publicly display, market, distribute, grant security interests in or otherwise commercially exploit the Intellectual Property Franchisee will fully and promptly disclose to Franchisor all Intellectual Property conceived or developed by Franchisee during the term of this Agreement Franchisee may not test offer, or sell any new products without Franchisor's prior written consent

11 11 Copyrights Franchisor and its Affiliates claim copyrights in the Trade Secrets the Manuals, Franchisor s construction plans, specifications and materials, printed advertising and promotional materials and in related items used in operating the Franchise Franchisee acknowledges and agrees that such copyrights may or may not have been registered with the United States Registrar of Copyrights but are protected under the federal copyright laws, where appropriate, by virtue of Franchisor's placing the appropriate notice of copyright on such items, and that

the provisions of Sections 11 1 through 11 8 of this Agreement relating to Marks also apply to copyrights owned by Franchisor and its Affiliates as if copyrights were included within the definition of Marks

ARTICLE 12
COVENANTS REGARDING OTHER BUSINESS INTERESTS

12 1 Non-Competition Franchisee acknowledges that the System is distinctive and has been developed by Franchisor and/or its Affiliates at great effort, time, and expense, and that Franchisee has regular and continuing access to valuable and confidential information, training, and trade secrets regarding the System Franchisee recognizes its obligations to keep confidential such information as set forth herein Franchisee therefore agrees as follows

12 1 1 During the Term, no Related Person or Designated Manager shall in any capacity, either directly or indirectly, through one or more affiliated Entities, (i) engage in any Competitive Activities at any location unless Franchisor shall consent thereto in writing or (ii) divert or attempt to divert any business or any customers of the Licensed Restaurant to any other person or Entity, by direct or indirect inducement or otherwise or do or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with the Marks

12 1 2 Upon (i) the expiration or termination of this Agreement, (ii) the occurrence of any Assignment, or (iii) the cession of any Related Person's relationship with Franchisee, each person who was a Related Person before such event shall not for a period of 24 months thereafter either directly or indirectly, own, operate, advise, be employed by, or have any financial interest in any business engaged in Competitive Activities (a) within the Territory, or (b) within an area within 3 miles from the Location or any then existing Restaurant, without the Franchisor's prior written consent In applying for such consent, Franchisee will have the burden of establishing that any such activity by it will not involve the use of benefits provided under this Agreement or constitute unfair competition with Franchisor or other franchisees or area developers of the Franchisor

12 2 Trade Secrets

12 2 1 Franchisor possesses and continues to develop, and during the course of the relationship established hereunder, Related Persons may have access to, proprietary and confidential information, including the Trade Secrets, proprietary software (and related documentation) recipes, secret ingredients specifications, procedures, concepts and methods and techniques of developing and operating a Restaurant and producing Authorized FARMER BOYS® Products Franchisor may disclose certain of its Trade Secrets to Related Persons in the Manuals, bulletins, supplements confidential correspondence, or other confidential communications, and through the Franchisor s training program and other guidance and management assistance, and in performing Franchisor's other obligations and exercising Franchisor s rights under this Agreement Trade Secrets shall not include information which (a) has entered the public domain or was known to Franchisee prior to Franchisor s disclosure of such information to Franchisee, other than by the breach of an obligation of confidentiality owed (by anyone) to Franchisor or its Affiliates, (b) becomes known to the Related Persons from a source other than Franchisor or its Affiliates and other than by the breach of an obligation of confidentiality owed (by anyone) to Franchisor or its Affiliates, or (c) was independently developed by Franchisee without the use or benefit of any of the Franchisor's Trade Secrets The burden of proving the applicability of the foregoing will reside with Franchisee

12 2 2 Each Related Person shall acquire no interest in the Trade Secrets other than the right to use them in developing and operating the Licensed Restaurant during the Term of this Agreement A Related Person's duplication or use of the Trade Secrets in any other endeavor or business shall constitute an unfair method of competition Each Related Person shall (i) not use the Trade Secrets in any business or other endeavor other than in connection with the Licensed Restaurant, (ii) maintain absolute confidentiality of the Trade Secrets during and after the Term of this Agreement, and (iii) make no unauthorized copy of any portion of the Trade Secrets, including the Manuals, bulletins, supplements, confidential correspondence, or other confidential communications, whether written or oral Franchisee shall operate the Restaurant and implement all reasonable procedures prescribed from time to time by Franchisor to prevent unauthorized use and disclosure of the Trade Secrets including, implementing restrictions and limitations as Franchisor may prescribe on disclosure to employees and use of non-disclosure and non-competition provisions in employment agreements with employees who may have access to the Trade Secrets, which will identify Franchisor as a third party beneficiary of such covenants with the independent right to enforce them Promptly upon Franchisor's request Franchisee shall deliver executed copies of such agreements to

Franchisor (Franchisor's current form of Related Person agreement is attached as Exhibit E to this Agreement) If Franchisee has any reason to believe that any employee has violated the provisions of the confidentiality and noncompetition agreement, Franchisee shall promptly notify Franchisor and shall cooperate with Franchisor to protect Franchisor against infringement or other unlawful use including, but not limited to, the prosecution of any lawsuits if, in the judgment of Franchisor, such action is necessary or advisable Without limiting the foregoing, Franchisor may also impose reasonable restrictions and conditions from time to time, on the disclosure of financial or statistical information in connection with the sale or potential sale of the Licensed Restaurant including the execution of confidentiality agreements

12 2 3 In view of the importance of the Marks and the Trade Secrets and the incalculable and irreparable harm that would result to the parties in the event of a default of the covenants and agreements set forth herein in connection with these matters, the parties agree that each party shall have the right in a proper case to obtain specific performance, temporary restraining orders and temporary or preliminary injunctive relief from a court of competent jurisdiction to enforce the covenants and agreements in this Agreement, in addition to any other relief to which such party may be entitled at law or in equity Each party submits to the exclusive jurisdiction of the courts of the State of California and the U S federal courts sitting in Riverside, California for purposes thereof The parties agree that venue for any such proceeding shall be the state and federal courts located in Riverside, California Franchisee agrees that Franchisor may have temporary or preliminary injunctive relief without bond, but upon due notice, and Franchisee s sole remedy in the event of the entry of such injunctive relief will be the dissolution of the injunctive relief, if warranted, upon hearing duly had (all claims for damages by reason of the wrongful issuance of any the injunction being expressly waived)

12 3 Confidentiality and Press Releases Franchisee shall not disclose the substance of this Agreement to any third party except as necessary to inform lessors from which it is seeking Leases or lessors which are parties to Leases in order to obtain renewals of or avoid terminations of, such Leases or as necessary to obtain any Permits or other approvals, or to the extent required by the lawful order of any court of competent jurisdiction or federal state, or local agency having jurisdiction over Franchisee, provided that Franchisee shall give Franchisor prior notice of such disclosure Unless disclosure is required by Applicable Law, no public communication, press release or announcement regarding this Agreement, the transactions contemplated hereby or the operation of the Licensed Restaurant or any Crisis Management Event shall be made by Franchisee without the written approval of Franchisor in advance of such press release announcement, or public communication

12 4 Interference With Employment Relations Without Franchisor s prior written consent, during the Term and for a period of 12 months following the termination, expiration or nonrenewal of this Agreement, or there shall occur an Assignment, neither Franchisee its Owner(s) or their respective Affiliates, officers directors, or managers, or any of them, shall in any capacity whatsoever, either directly or indirectly, hire, solicit or encourage to leave the employment of Franchisor, any of its Affiliates, any employee of Franchisor or any of its Affiliates or hire any such employee who has left the employment of Franchisor or any of its Affiliates within one year of the termination of such employee s employment with Franchisor or any of its Affiliates Franchisee acknowledges that violation of the foregoing will disrupt, damage, impair, or interfere with the business of Franchisor and constitute unfair competition with the FARMER BOYS® System

12 5 Effect of Applicable Law In the event any portion of the covenants in this Article violates laws affecting Franchisee, or is held invalid or unenforceable in a final judgment to which Franchisor and Franchisee are parties, then the maximum legally allowable restriction permitted by law shall control and bind Franchisee Franchisor may at any time unilaterally reduce the scope of any part of the above covenants and Franchisee shall comply with any such reduced covenant upon receipt of written notice The provisions of this Article shall be in addition to and not in lieu of any other confidentiality obligation of Franchisee or any other person, whether pursuant to another agreement or pursuant to Applicable Law

12 6 Survival The provisions of this Article shall not limit, restrain or otherwise affect any right or cause of action which may accrue to Franchisor for any infringement of, violation of, or interference with, this Agreement, or Franchisor's Marks, System, Trade Secrets, or any other proprietary aspects of Franchisor s business

ARTICLE 13
NATURE OF INTEREST, ASSIGNMENT

13 1 Assignment by Franchisor This Agreement is fully transferable by Franchisor, in whole or in part, without the consent of Franchisee and shall inure to the benefit of any transferee or their legal successor to Franchisor s interests herein, provided however, that such transferee and successor shall expressly agree to assume Franchisor's obligations under this Agreement Without limiting the foregoing Franchisor may (i) assign any or all of its rights and obligations under this Agreement to an Affiliate, (ii) sell its assets, its marks, or its System outright to a third party, (iii) engage in a public offering of its securities (iv) engage in a private placement of some or all of its securities, (v) merge acquire other corporations, or be acquired by another corporation or (vi) undertake a refinancing, recapitalization, leveraged buy-out or other economic or financial restructuring Franchisor shall be permitted to perform such actions without liability or obligation to Franchisee who expressly and specifically waives any claims demands or damages arising from or related to any or all of the above actions (or variations thereof) Franchisor shall have no liability for the performance of any obligations contained in this Agreement after the effective date of such transfer or assignment In connection with any of the foregoing, at Franchisor's request, Franchisee shall deliver to Franchisor a statement in writing certifying (a) that this Agreement is unmodified and in full force and effect (or if there have been modifications that the Agreement as modified is in full force and effect and identifying the modifications), (b) that Franchisee is not in default under any provision of this Agreement, or if in default, describing the nature thereof in detail and (c) as to such other matters as Franchisor may reasonably request, and Franchisee agrees that any such statements may be relied upon by Franchisor and any prospective purchaser, assignee or lender of Franchisor

13 2 Assignment by Franchisee

13 2 1 The rights and duties created by this Agreement are personal to Franchisee This Agreement has been entered into by Franchisor in reliance upon and in consideration of the singular individual or collective character reputation, skill attitude, business ability, and financial capacity of Franchisee, or if applicable its Owners who will actively and substantially participate in the development ownership and operation of the Licensed Restaurant Accordingly, except as otherwise may be permitted herein, neither Franchisee nor any Owner (other than Franchisor, if applicable) shall without Franchisor's prior written consent, cause or permit any Assignment Any such purported Assignment occurring by operation of law or otherwise without Franchisor's prior written consent shall constitute a default of this Agreement by Franchisee and shall be null and void Except in the instance of Franchisee advertising to sell the Licensed Restaurant and assign this Agreement in accordance with the terms hereof, Franchisee shall not without Franchisor s prior written consent offer for sale or transfer at public or private auction or advertise publicly for sale or transfer, the furnishings interior and exterior decor items, supplies, fixtures, equipment, Franchisee s Lease or the real or personal property used in connection with the Licensed Restaurant Franchisee may not make any Assignment to a public Entity or to any Entity whose direct or indirect parent s securities are publicly traded and no shares of Franchisee or any Owner of Franchisee may be offered for sale through the public offering of securities To the extent that any prohibition on the pledge, hypothecation encumbrance or granting of a security interest in this Agreement or the assets of the Licensed Restaurant may be ineffective under Applicable Law, Franchisee shall provide not less than 10 days prior written notice (which notice shall contain the name and address of the secured party and the terms of such pledge, hypothecation, encumbrance or security interest) of any pledge, encumbrance, hypothecation or security interest in this Agreement or the assets of the Licensed Restaurant

13 2 2 If Franchisee is an Entity, Franchisee shall promptly provide Franchisor with written notice (stating such information as Franchisor may from time to time require) of each and every transfer assignment and encumbrance by any Owner of any direct or indirect Equity or voting rights in Franchisee, notwithstanding that the same may not constitute an "Assignment'

13 2 3 Franchisor will not unreasonably withhold its consent to any Assignment which is subject to the restrictions of this Article, provided however, Franchisor may impose any reasonable condition to the granting of its consent, and requiring Franchisee to satisfy any or all of the following conditions shall be deemed reasonable

(a) Franchisee's written request for Franchisor's consent to Assignment must be accompanied by a detailed description of the price and all material terms and conditions of the proposed Assignment and the identity of the proposed assignee and such other information as Franchisor may reasonably request,

(b) Franchisor's receipt of an estoppel agreement indicating any and all causes of action if any, that Franchisee may have against Franchisor or if none exist, so stating, and a list of all Owners having an interest in this Agreement or in Franchisee, the percentage interest of Owner, and a list of all officers and directors in such form as Franchisor may require

(c) Franchisee's written request for consent to any Assignment must be accompanied by an offer to Franchisor of a right of first refusal to purchase the interest which is proposed to be transferred, on the same terms and conditions offered by the third party provided that Franchisor may substitute cash for any non-cash consideration proposed to be given by such third party (in an amount determined by Franchisor reasonably and in good faith as the approximate equivalent value of said non-cash consideration), and provided further that Franchisee shall make representations and warranties to Franchisor customary for transactions of the type proposed (the "**ROFR**') If Franchisor elects to exercise the ROFR, Franchisor or its nominee, as applicable, shall send written notice of such election to Franchisee within 60 days of receipt of Franchisee's request (the "**ROFR Period**") If Franchisor accepts such offer, the training and transfer/administrative fees due by Franchisee in accordance with this Agreement shall be waived by Franchisor, and the closing of the transaction shall occur within 60 days following the date of Franchisor's acceptance Any material change in the terms of an offer prior to closing (or the failure to close the transaction within 60 days following the written notice provided by Franchisee) shall cause it to be deemed a new offer, subject to the same right of first refusal by Franchisor, or its third-party designee, as in the case of the initial offer Franchisor's failure to exercise such ROFR shall not constitute consent to the transfer or a waiver of any other provision of this Agreement, including any of the requirements of this Article with respect to the proposed transfer Without waiving any other rights provided for herein or otherwise, Franchisor hereby waives its ROFR if the proposed transferee/assignee is an immediate family member of Franchisee,

(d) The Franchisee shall not be in default under the terms of this Agreement (or any other related agreement), the Manuals or any other obligations owed Franchisor, and all of its then-due monetary obligations to Franchisor shall have been paid in full,

(e) The Franchisee, and its Owners, if the Franchisee is an Entity, shall execute a general release under seal, in a form prescribed by Franchisor, of any and all claims against Franchisor, its Affiliates, Owner(s), directors, officers, agents and employees,

(f) The transferee/assignee shall have demonstrated to Franchisor s satisfaction that it meets all of Franchisor's then-current requirements for new Restaurant operators or for holders of an interest in a franchise or license, including possession of good moral character and reputation, satisfactory credit ratings acceptable business qualifications, the ability to obtain or acquire the license(s) and permit(s) necessary for the sale of alcoholic beverages, and the ability to fully comply with the terms of this Agreement

(g) The transferee/assignee shall have either (a) assumed this Agreement by a written assumption agreement approved by Franchisor, or has agreed to do so at closing, and at closing executes an assumption agreement approved by Franchisor, provided however, that such assumption shall not relieve Franchisee (as transferor/assignor) of any such obligations, or (b) at Franchisor's option shall have executed a replacement franchise agreement on the then-current standard form of franchise agreement used by Franchisor in the State in which the Licensed Restaurant is being operated, provided however, that at Franchisor s option, the term of replacement franchise agreement shall either be the remaining term of this Agreement or the then-current term being granted by Franchisor to new franchisees, and at the Franchisor's request the transferor/assignor shall have executed a continuing guaranty in favor of Franchisor, the current form of which is attached hereto as Exhibit H, of the performance and payment by the transferee/assignee of all obligations and debts to Franchisor and its Affiliates under the replacement franchise agreement,

(h) If this Agreement has been executed pursuant to an Area Development Agreement with Franchisor (whether or not such agreement remains in effect) that this Agreement and all other franchise agreements executed pursuant to such Area Development Agreement shall be concurrently transferred/assigned to the same assignee,

(i) The assignee shall agree to refurbish and equip the Licensed Restaurant as needed (in Franchisor s discretion) to match the building design, trade dress, color scheme and presentation, and

furnishings, fixtures and equipment (including Information Systems), then used by Franchisor within the 12 month period preceding the assignment for its (or its Affiliates') Restaurant (such refurbishment may include remodeling redecoration and modifications to existing improvements),

(j) There shall not be any suit action, or proceeding pending, or to the knowledge of Franchisee any suit, action, or proceeding threatened, against Franchisee with respect to the Licensed Restaurant

(k) Upon submission of Franchisee's request for Franchisor s consent to any proposed transfer or assignment, Franchisee shall pay to Franchisor a non-refundable administrative/transfer fee equal to $1,000 upon Franchisee s submission of each request for Franchisor's consent to an Assignment and $5,000 on or prior to commencement of the Initial Training Program as described in Section 13 2 3 and

(l) The transferee/assignee, its operating principal, Restaurant manager and other employees responsible for the operation of the Licensed Restaurant shall have satisfactorily completed Franchisor's Initial Training Program prior to the effectiveness of the Assignment

13 2 4 Franchisor s consent to an Assignment shall not constitute a waiver of any claims it may have against the transferring party arising out of this Agreement or otherwise, including (a) any payment or other duty owed by Franchisee to Franchisor under this Agreement before such Assignment, or (b) Franchisee's duty of indemnification and defense as set forth in Section 17 2 of this Agreement, whether before or after such Assignment, or (c) the obligation to obtain Franchisor's consent to any subsequent transfer

13 3 Entity Franchisee If a Franchisee is an Entity the following provisions will apply

13 3 1 Franchisee represents and warrants that the information set forth in Exhibit C, which is annexed hereto and by this reference made a part hereof, is accurate and complete in all material respects Franchisee shall notify Franchisor in writing within 10 days of any change in the information set forth in Exhibit C, and shall submit to Franchisor a revised Exhibit C certified by Franchisee as true, correct and complete and upon acceptance thereof by Franchisor shall be annexed to this Agreement as Exhibit C Franchisee promptly shall provide such additional information as Franchisor may from time to time request concerning all persons who may have any direct or indirect financial interest in Franchisee

13 3 2 All of Franchisee's organizational documents (including articles of partnership, partnership agreements, articles of incorporation, articles of organization bylaws, shareholders agreements, trust instruments, or their equivalent) will provide that the issuance and transfer of any interest in Franchisee is restricted by the terms of this Agreement, and that sole purpose for which Franchisee is formed (and the sole activity in which Franchisee is or will be engaged) is the development and operation of Restaurant pursuant to one or more franchise agreements from Franchisor Franchisee shall submit to Franchisor, upon the execution of this Agreement and thereafter from time to time upon Franchisor's request, a resolution of Franchisee (or its governing body) confirming that Franchisee is in compliance with this provision

13 3 3 All present and future Owners of a 10% or more (directly or indirectly), in the aggregate, of the Equity or voting rights in Franchisee, will execute a written guaranty in a form prescribed by Franchisor the current form of which is attached hereto as Exhibit H, personally, irrevocably and unconditionally guaranteeing, jointly and severally, with all other guarantors, the full payment and performance of Franchisee's obligations to Franchisor and to Franchisor s Affiliates For purposes of determining whether said 10% threshold is satisfied, holdings of spouses (and family members who live in the same household) and Affiliates shall be aggregated Upon each transfer or assignment of an interest in Franchisee, or other change in ownership interests in Franchisee, and at any other time upon Franchisor's request said holders shall re-execute a written guaranty in a form prescribed by Franchisor, the current form of which is attached hereto as Exhibit H

13 3 4 Securities, partnership or other ownership interests in Franchisee may not be offered to the public under the Securities Act of 1933, as amended, nor may they be registered under the Securities Exchange Act of 1934, as amended or any comparable federal, state or foreign law, rule or regulation Such interests may be offered by private offering or otherwise only with the prior written consent of Franchisor, which consent shall not be unreasonably withheld All materials required for any such private offering by federal or state law shall be submitted to Franchisor for a limited review as discussed below prior to being filed with any governmental agency,

and any materials to be used in any exempt offering shall be submitted to Franchisor for such review prior to their use No such offering by Franchisee shall imply that Franchisor is participating in an underwriting, issuance or offering of securities of Franchisee or Franchisor, and Franchisor's review of any offering materials shall be limited solely to the subject of the relationship between Franchisee and Franchisor and its Affiliates Franchisor may, at its option require Franchisee's offering materials to contain a written statement prescribed by Franchisor concerning the limitations described in the preceding sentence Franchisee, its Owners and the other participants in the offering must fully defend and indemnify Franchisor, and its Affiliates, their respective partners and the officers directors, manager(s) (if a limited liability company), shareholders, members, partners, agents, representatives, independent contractors, servants and employees of each of them, from and against any and all losses, costs and liability in connection with the offering and shall execute any additional documentation required by Franchisor to further evidence this indemnity For each proposed offering, Franchisee shall pay, in addition to any transfer fee required under Section 13 2 3 (k) of this Agreement to Franchisor a non-refundable fee of $10 000, or such greater amount as is necessary to reimburse Franchisor for its reasonable costs and expenses associated with reviewing the proposed offering, including legal and accounting fees Franchisee shall give Franchisor written notice at least 30 days prior to the date of commencement of any offering or other transaction covered by this Section

13 4 Assignment to a Controlled Entity

13 4 1 If Franchisee is one or more individuals, and in the event that Franchisee proposes to transfer all of its interest in this Agreement and the assets of the Restaurant operated hereunder to an Entity formed by Franchisee solely for the convenience of ownership, Franchisee may (without paying the transfer fee specified in Section 13 2 3 (k) of this Agreement) with Franchisor's written consent, transfer such interest and assets, provided, and on condition that

(a) Upon Franchisor s request, Franchisee delivering to Franchisor a true, correct and complete copy of the transferee Entity's articles of incorporation or articles of organization, bylaws, operating agreement, partnership agreement, and other organizational documents and Franchisor has accepted the same

(b) the transferee Entity's articles of incorporation or articles of organization, bylaws, and operating agreement, as applicable, shall provide that its activities are confined exclusively to operating the Restaurant operated hereunder

(c) Franchisee directly owns not less than 100% of the Equity and voting rights of the transferee Entity,

(d) such Entity is in good standing in its jurisdiction of organization and each other jurisdiction where the conduct of its business or the operation of its properties requires it to be so qualified

(e) the person designated by Franchisee as the Operating Principal has exclusive day-to-day operational control of the Licensed Restaurant

(f) such Entity conducts no other business than the operation of Restaurants

(g) such Entity assumes all of the obligations under this Agreement pursuant to written agreement, the form and substance of which shall be acceptable to Franchisor

(h) Each individual comprising Franchisee, and all present and future owners of 10% or more (directly or indirectly), in the aggregate, of the Equity or voting rights of Franchisee shall execute a written guaranty in a form prescribed by Franchisor, the current form of which is attached hereto as Exhibit H, personally, irrevocably and unconditional guaranteeing, jointly and severally, with all other guarantors, the full payment and performance of all of the obligations to Franchisor and its Affiliates under this Agreement,

(i) That none of the Owners of the Equity of the transferee Entity is, directly or indirectly, engaged in a Competitive Activity,

(j) At Franchisor's request, Franchisee shall and shall cause each of its Affiliates who have executed a franchise agreement and each direct or indirect parent or subsidiary of such Affiliate to

execute and deliver to Franchisor a general release, on a form prescribed by Franchisor of any and all known and unknown claims against Franchisor and its Affiliates and their officers directors, agents, shareholders and employees, and

(k) Franchisee shall reimburse Franchisor for all direct and indirect costs and expense it may incur in connection with the transfer, including attorney's fees

13 4 2 In the event that Franchisee exercises its rights under Section 13 4 1 of this Agreement then Franchisee and such assignee Entity shall affirmatively covenant to continue to satisfy each of the conditions set forth in Section 13 4 1 of this Agreement throughout the term of this Agreement

ARTICLE 14
DEFAULT AND TERMINATION

14 1 General Franchisor shall have the right to terminate this Agreement only for ' cause ' **Cause** ' is hereby defined as a default of this Agreement Franchisor shall exercise its right to terminate this Agreement upon notice to Franchisee upon the following circumstances and manners

14 2 Automatic Termination Without Notice Subject to Applicable Laws of the jurisdiction in which the Restaurant operated hereunder is located to the contrary, Franchisee shall be deemed to be in default under this Agreement and all rights granted herein shall at Franchisor's election automatically terminate without notice to Franchisee if (i) Franchisee shall be adjudicated bankrupt or judicially determined to be insolvent (subject to any contrary provisions of any applicable state or federal laws), shall admit to its inability to meet its financial obligations as they become due, or shall make a disposition for the benefit of its creditors (ii) Franchisee shall allow a judgment against him in the amount of more than $25,000 to remain unsatisfied for a period of more than 30 days (unless a supersedeas or other appeal bond has been filed) (iii) the Licensed Restaurant, the Premises or the Franchisee s assets are seized, taken over or foreclosed by a government official in the exercise of its duties, or seized, taken over, or foreclosed by a creditor or lienholder provided that a final judgment against the Franchisee remains unsatisfied for 30) days (unless a supersedeas or other appeal bond has been filed), (iv) a levy of execution of attachment has been made upon the license granted by this Agreement or upon any property used in the Licensed Restaurant, and it is not discharged within 10 days of such levy or attachment (v) Franchisee permits any recordation of a notice of mechanics lien against the Licensed Restaurant or any equipment at the Licensed Restaurant which is not released within 60 days, or if any person commences any action to foreclose on the Licensed Restaurant or said equipment (vi) Franchisee allows or permits any judgment to be entered against Franchisor or any of its Affiliates, arising out of or relating to the operation of the Licensed Restaurant, (vii) a condemnation or transfer in lieu of condemnation has occurred, (viii) Franchisee or any of its Owners, officers, directors, or key employees is convicted of or pleads guilty or *nolo contendere* to a felony or any other crime or offense that is reasonably likely, in the sole opinion of Franchisor, to adversely affect the Franchisor's reputation, System, Marks or the goodwill associated therewith, or Franchisor s interest therein, provided, however that if the crime or offense is committed by an Owner other than an Operating Principal, then Franchisor may only terminate on account thereof if such Owner fails within 90 days after the conviction or guilty plea, whichever first occurs, to sell its interest in Franchisee to Franchisee's other Owners, or (ix) Franchisee s failure to comply with Article 12 or Article 21 of this Agreement

14 3 Option to Terminate Without Opportunity to Cure Franchisee shall be deemed to be in default and Franchisor may, at its option, terminate this Agreement and all rights granted hereunder, without affording Franchisee any opportunity to cure the default, effective immediately upon receipt of notice by Franchisor upon the occurrence of any one or more of the following events

14 3 1 Abandonment If Franchisee shall abandon the Licensed Restaurant For purposes of this Agreement, 'abandon shall refer to (i) Franchisee's failure, at any time during the term of this Agreement, to keep the Premises or Licensed Restaurant open and operating for business for a period of 3 consecutive days, except as provided in the Manuals, (ii) Franchisee's failure to keep the Premises or Licensed Restaurant open and operating for any period after which it is not unreasonable under the facts and circumstances for Franchisor to conclude that Franchisee does not intend to continue to operate the Licensed Restaurant, unless such failure to operate is due to Force Majeure (subject to Franchisee's continuing compliance with this Agreement) (iii) failure to actively and continuously maintain and answer the telephone listed by Franchisee for the Licensed Restaurant solely with the

FARMER BOYS® name (as the same may be modified in accordance with this Agreement) (iv) the withdrawal of permission from the applicable lessor that results in Franchisee s inability to continue operation of the Licensed Restaurant or (v) closing of the Licensed Restaurant required by Applicable Law if such closing was not the result of a violation of this Agreement by Franchisor

14 3 2 Assignment, Death or Incapacity If Franchisee shall purport to make any Assignment without the prior written consent of Franchisor, provided, however, that if the Licensed Restaurant continues to be operated in conformity with this Agreement (i) upon prompt written request and upon the death or legal incapacity of a Franchisee who is an individual, Franchisor shall allow up to 9 months after such death or legal incapacity for the heirs personal representatives, or conservators (the '**Heirs**') of Franchisee either to enter into a new Franchise Agreement upon Franchisor's then current form (except that no initial franchise fee or transfer fee shall be charged), if Franchisor is subjectively satisfied that the Heirs meet Franchisor's System Standards and qualifications, or if not so satisfied to allow the Heirs to sell the Licensed Restaurant to a person approved by Franchisor, or (ii) upon prompt written request and upon the death or legal incapacity of an Owner owning 20% or more of the Equity or voting power of a corporate or limited liability company Franchisee, or a general or limited partner owning 20% or more of any of the Partnership Rights of a Franchisee which is a Partnership, Franchisor shall allow a period of up to 9 months after such death or legal incapacity for the Heirs to seek and obtain Franchisor s consent to the transfer or Assignment of such stock, membership interests or Partnership Rights to the Heirs or to another person acceptable by Franchisor If, within said 9 month period, the Heirs fail either to enter into a new franchise agreement or to sell the Licensed Restaurant to a person approved by Franchisor pursuant to this Agreement, or fail either to receive Franchisor s consent to the Assignment of such Equity to the Heirs or to another person acceptable by Franchisor as provided in this Agreement, this Agreement shall thereupon automatically terminate,

14 3 3 Repeated Defaults If Franchisee shall default in any obligation as to which Franchisee has previously received 2 or more written notices of default from Franchisor setting forth the default complained of within the preceding 12 months, such repeated course of conduct shall itself be grounds for termination of this Agreement without further notice or opportunity to cure

14 3 4 Violation of Law If Franchisee fails, for a period of 10 days after having received notification of noncompliance from Franchisor or any governmental or quasi-governmental agency or authority, to comply with any federal, state or local law or regulation applicable to the operation of the Licensed Restaurant,

14 3 5 Sale of Unauthorized Products If Franchisee sells any unauthorized products to the public, and either continues to sell, or again sells, any unauthorized products to the public following written notice of default, whether or not having cured any prior default concerning the sale of unauthorized products to the public on one or more occasions

14 3 6 Under Reporting If an audit or investigation conducted by Franchisor hereof discloses that Franchisee has knowingly maintained false books or records, or submitted false reports to Franchisor, or knowingly understated its Adjusted Gross Revenue or withheld the reporting of same as herein provided, and, without limiting the foregoing, if, on 3 or more occasions in any single 36 month period, any audits or other investigations reveals an under-reporting or under-recording error of 2% or more, or on any single occasion any audit or other investigation reveals an under-reporting or under-recording of 5% or more,

14 3 7 Intellectual Property Misuse If Franchisee materially misuses or makes any unauthorized use of the Marks or otherwise materially impairs the goodwill associated therewith or Franchisor s rights therein, or takes any action which reflects materially and unfavorably upon the operation and reputation of the Licensed Restaurant the System, or the "FARMER BOYS®" brand generally Franchisee's unauthorized use disclosure or duplication of the "Trade Secrets", excluding independent acts of employees or others if Franchisee shall have exercised its best efforts to prevent such disclosures or use,

14 3 8 Misrepresentation If Franchisee makes any material misrepresentations relating to the acquisition of this Agreement,

14 3 9 Health or Safety Violations Franchisee's conduct of the Licensed Restaurant is so contrary to this Agreement the System and the Manuals as to constitute an imminent danger to the public health (for example selling spoiled food knowing that the food products are spoiled or allowing a dangerous condition arising

from a failure to strictly comply with any health code or ordinance or other Applicable Law to continue despite Franchisee's knowledge of such condition), or selling expired or other unauthorized products to the public after notice of default and continuing to sell such products whether or not Franchisee has cured the default after one or more notices, and

14 3 10 Failure to Complete Training If Franchisee, the initial Operating Principal or the initial Designated Manager fails to complete all phases of the Initial Training Program to Franchisor s satisfaction prior to the opening of the Licensed Restaurant

14 4 Termination With Notice and Opportunity To Cure Except for any default by Franchisee under Sections 14 2 or 14 3 of this Agreement, and as otherwise expressly provided elsewhere in this Agreement, Franchisee shall have 10 days (5 days in the case of any default in the timely payment of sums due to Franchisor or its Affiliates) after Franchisor's written notice of default within which to remedy any default under this Agreement, and to provide evidence of such remedy to Franchisor If any such default is not cured within that time period, or such longer time period as Applicable Law may require or as Franchisor may specify in the notice of default, this Agreement and all rights granted by it shall thereupon automatically terminate without further notice or opportunity to cure

14 5 Reimbursement of Franchisor Costs In the event of a default by Franchisee, all of Franchisor s costs and expenses arising from such default, including reasonable legal fees and reasonable hourly charges of Franchisor s administrative employees shall be paid to Franchisor by Franchisee within 5 days after cure or upon demand by Franchisor if such default is not cured

14 6 Cross-Default Except for a default or termination of any Area Development Agreement consisting solely of Franchisee's failure to meet the development schedule thereunder, any default by Franchisee under the terms and conditions of this Agreement, any Lease, or any other agreement between Franchisor (or its Affiliate), and Franchisee (or any Affiliate of Franchisee), or any default by Franchisee (or any Affiliate of Franchisee) of its obligations to any Co-Op Advertising Region of which it is a member, shall be deemed to be a default of each and every said agreement Furthermore, in the event of termination, for any cause, of this Agreement or any other agreement between the parties hereto Franchisor may, at its option, terminate any or all said agreements

14 7 Notice Required By Law Notwithstanding anything to the contrary contained in this Article, in the event any valid, Applicable Law of a competent Governmental Authority having jurisdiction over this Agreement and the parties hereto shall limit Franchisor s rights of termination hereunder or shall require longer notice periods than those set forth above, this Agreement shall be deemed amended to conform to the minimum notice periods or restrictions upon termination required by such laws and regulations Franchisor shall not, however be precluded from contesting the validity, enforceability or application of such laws or regulations in any action, arbitration, hearing or dispute relating to this Agreement or the termination thereof

14 8 Termination by Franchisee Franchisee may terminate this Agreement due to a material default by Franchisor of its obligations hereunder which default is not cured by Franchisor within 60 days after Franchisor's receipt of prompt written notice by Franchisee to Franchisor detailing the alleged default with specificity, provided, that if the default is such that it cannot be reasonably cured within such 60 day period Franchisor shall not be deemed in default for so long as it commences to cure such default within 60 days and diligently continues to prosecute such cure to completion This is a material term of this Agreement and an arbitrator shall not, and shall not have the power or authority to, waive modify or change this requirement in any arbitration proceeding or otherwise If Franchisee terminates this Agreement pursuant to this Section Franchisee shall comply with all of the terms and conditions of Article 15 of this Agreement

ARTICLE 15
RIGHTS AND OBLIGATIONS UPON TERMINATION

15 1 General Upon the expiration or termination of Franchisee's rights granted under this Agreement

15 1 1 Unless Franchisor shall have notified Franchisee that Franchisor has elected to acquire the Licensed Restaurant as contemplated by Sections 5 3 and 15 1 2 , Franchisee shall immediately cease to use all

Trade Secrets, the Marks, and any confusingly similar trademark, service mark, trade name, logotype or other commercial symbol or insignia. Franchisee shall immediately return the Manual all training materials, CD ROMs, DVDs, records, customer lists, files, advertising and promotional materials and all other written materials incorporating Trade Secrets and all copies of the whole or any part thereof to Franchisor Franchisee shall at its own cost and expense make cosmetic changes to the Licensed Restaurant so that it no longer contains or resembles Franchisor's proprietary designs, including Franchisee shall remove all materials that would identify the Premises and Location as a Restaurant operated under the Marks and System, and remove distinctive cosmetic features and finishes, soffits, interior wall coverings and colors exterior finishes and colors and signage from the Premises and Location as Franchisor may reasonably direct and shall at Franchisor s request, grant Franchisor access to the Premises to make cosmetic changes to the Licensed Restaurant so that it no longer resembles a Restaurant

15 1 2 If Franchisor so elects, at its sole option, upon any termination or expiration of this Agreement, Franchisee will sell to Franchisor such equipment and furnishings as Franchisor may designate that are associated with the Licensed Restaurant at its net book value using a 5-year straight line amortization period, but in no event less than 10% of Franchisee's original cost thereof Franchisee shall schedule and provide written evidence of said original cost, reasonably satisfactory to Franchisor, immediately upon Franchisor's request but in no event later than 10 days following the termination or expiration, as applicable, of this Agreement Franchisor shall have no other payment obligations to Franchisee, and Franchisee specifically waives any and all claims to be paid for other equipment, furnishings, fixtures, products, supplies or the goodwill associated with the terminated Licensed Restaurant (which goodwill Franchisee acknowledges is owned exclusively by Franchisor) Franchisor may offset against any obligations it may have pursuant to this Section any amounts owed by Franchisee to Franchisor

15 1 3 Franchisor may retain all fees paid pursuant to this Agreement, and Franchisee shall immediately pay any and all amounts owing to Franchisor, its Affiliates, and/or suppliers

15 1 4 Any and all obligations of Franchisor to Franchisee under this Agreement shall immediately cease and terminate

15 1 5 Any and all rights of Franchisee under this Agreement shall immediately cease and terminate, and Franchisee shall immediately cease and thereafter refrain from representing itself as then or formerly a Franchisee or other Affiliate of Franchisor

15 1 6 Franchisee shall transfer and assign to Franchisor or its designee all telephone numbers, white and yellow page listings, on-line telephone listings and all other associated listings for the Licensed Restaurant, and Franchisee shall notify the telephone company and all listing agencies of the termination or expiration of Franchisee's right to use any telephone number and any classified or other telephone directory listings associated with the Licensed Restaurant, and authorize and instruct their transfer to Franchisor Franchisee shall deliver all goods and materials containing the Marks to Franchisor and Franchisor shall have the sole and exclusive use of any items containing the Marks Franchisee is not entitled to any compensation from Franchisor if Franchisor exercises this option

15 1 7 If Franchisor shall have authorized Franchisee to use the Marks, or any of them in connection with the Internet, any website, or e-mail address, Franchisee shall cancel or assign to Franchisor or its designate, as Franchisor determines all of Franchisee's right, title and interest in any Internet websites or web pages e-mail addresses, domain name listings and registrations which contain the Marks, or any of them, in whole or in part, and Franchisee shall notify Verisign (Network Solutions), register com, or other applicable domain name registrar and all listing agencies, upon the termination or expiration hereof, of the termination of Franchisee's right to use any domain name, web page and other Internet devise associated with Franchisor or the Licensed Restaurant, and authorize and instruct their cancellation or transfer to Franchisor as directed by Franchisor Franchisee is not entitled to any compensation from Franchisor if Franchisor exercises its said rights or options For the avoidance of doubt, nothing in this Section shall be deemed to permit Franchisee to use the Marks or any of them in connection with the Internet, except with the prior consent of Franchisor as provided in this Agreement

15 2 Survival of Obligations Termination or expiration shall be without prejudice to any other rights or remedies that Franchisor or Franchisee, as the case may be, shall have in law or in equity, including the right to recover benefit of the bargain damages In no event shall a termination or expiration of this Agreement affect Franchisee's obligations to take or abstain from taking any action in accordance with this Agreement The

provisions of this Agreement which by their nature or expressly constitute post-termination (or post-expiration) covenants and agreements including the obligation of Franchisor and Franchisee to arbitrate any and all disputes shall survive the termination or expiration of this Agreement

15 3 No Ownership of Marks Franchisee acknowledges and agrees that rights in and to Franchisor's Marks and the use thereof shall be and remain the property of Franchisor

15 4 Government Filings In the event Franchisee has registered any of Franchisor s Marks or the name FARMER BOYS® as part of Franchisee s assumed fictitious or corporate name Franchisee shall promptly amend such registration to delete Franchisor s Marks and any confusingly similar marks or names therefrom

ARTICLE 16
INSURANCE

16 1 Insurance Subject to any other additional requirements set forth in the Lease or Master Lease, Franchisee shall obtain and maintain (at all times during the Term) insurance coverage in the types and amounts of coverage and deductibles specified in the Manuals (including business interruption coverage for Continuing Royalties, Marketing Fund Contributions and other payments due to Franchisor during any period of interruption), which shall in each instance designate Franchisor and its designated Affiliates as additional named insureds, with an insurance company approved by Franchisor, which approval shall not be unreasonably withheld

16 2 Use of Proceeds In the event of damage to the Licensed Restaurant covered by insurance, the proceeds of any such insurance shall be used to restore the Licensed Restaurant to its original condition as soon as possible, unless such restoration is prohibited by the Location Lease or Franchisor has otherwise consented to in writing Upon the obtaining of such insurance, Franchisee shall promptly provide to Franchisor proof of such insurance coverage

16 3 Proof of Insurance Franchisee shall, prior to opening the Licensed Restaurant, (and from time to time, within 10 days after a request therefor from Franchisor, and annually thereafter provide evidence of the renewal or extension of each insurance policy) file with Franchisor, certificates of such insurance and shall promptly pay all premiums on the policies as they become due In addition, the policies shall contain a provision requiring 30 days prior written notice to Franchisor of any proposed cancellation, modification, or termination of insurance If Franchisee fails to obtain and maintain the required insurance, Franchisor may, at its option in addition to any other rights it may have, procure such insurance for Franchisee without notice and Franchisee shall pay, upon demand the premiums and Franchisor's costs in taking such action

ARTICLE 17
RELATIONSHIP OF PARTIES, DISCLOSURE

17 1 Relationship of Franchisee to Franchisor It is expressly agreed that the parties intend by this Agreement to establish between Franchisor and Franchisee the relationship of franchisor and franchisee It is further agreed that Franchisee has no authority to create or assume in Franchisor's name or on behalf of Franchisor, any obligation, express or implied, or to act or purport to act as agent or representative on behalf of Franchisor for any purpose whatsoever Neither Franchisor nor Franchisee is the employer, employee, agent, partner or co venturer of or with the other, each being independent Franchisee agrees that it shall not under any circumstances hold itself out as the agent, representative, employee, partner or co-venturer of Franchisor All employees hired by or working for Franchisee shall be the employees of Franchisee and shall not, for any purpose, be deemed employees of Franchisor or subject to Franchisor control Each of the parties shall file its own tax, regulatory and payroll reports with respect to its respective employees and operations, saving and indemnifying the other party hereto of and from any liability of any nature whatsoever by virtue thereof Neither shall have the power to bind or obligate the other except specifically as set forth in this Agreement Franchisor and Franchisee agree that the relationship created by this Agreement is one of independent contractor and not a fiduciary relationship

17 2 Indemnity

17 2 1 Franchisee shall protect, defend and indemnify Franchisor and all of its past, present and future Owners, Affiliates, officers, directors, employees, attorneys and designees, and each of them, and hold them

harmless from and against any and all costs and expenses, including attorneys' fees, court costs, losses liabilities, damages, claims and demands of every kind or nature on account of any actual or alleged loss injury or damage to any person or Entity or to any property arising from, out of or in connection with (a) any breach of Franchisee's agreements, covenants, representations, or warranties contained in this Agreement, (b) any damages or injury to any person including Franchisee's employees, Franchisor s employees and agents, Franchisee's customers, and members of the public, suffered or incurred on or about the Licensed Restaurant or any Restaurant owned or operated by Franchisee (c) product liabilities claims or defective use, preparation or serving of manufacturing of any food or other products sold by Franchisee which are not attributable to Franchisor's gross negligence or intentional misconduct, (d) Franchisee's or its Affiliate s development construction (including any latent or patent defects), maintenance, use or operation of the Premises and/or the Licensed Restaurant, or (e) the activities under this Agreement of Franchisee or any of Franchisee's officers, owners, directors, employees, agents or contractors For purposes of this indemnification, claims will mean and include all obligations, actual, consequential and incidental damages and costs reasonably incurred in the defense of any claim against the Indemnified Parties, including reasonable accountants', arbitrators', attorneys' and expert witness fees, costs of investigation and proof of facts, court costs, other litigation expenses and travel and living expenses Franchisor will have the right to defend any such claim against Franchisor This indemnity will continue in full force and effect subsequent to and notwithstanding the expiration or termination of this Agreement

17 2 2 Franchisor shall give Franchisee prompt written notice of any claim for which Franchisor demands indemnity (provided that such obligation shall not constitute a condition to Franchisee's indemnification obligation unless Franchisee has been materially harmed by such delay) Franchisor shall retain the full right and power to direct, manage, control and settle the litigation of any claim Franchisor shall submit all indemnifiable claims to its insurers in a timely manner Any payments made to an indemnified party shall be net of benefits received by any indemnified party on account of insurance in respect of such claims

ARTICLE 18
MEDIATION AND ARBITRATION

18 1 Mediation Except to the extent precluded by Applicable law, the parties hereby pledge and agree that prior to filing any lawsuit (other than suits described in Section 12 2 3 or to seek provisional remedies, including injunctions), they shall first attempt to resolve any dispute between the parties pursuant to mediation conducted in accordance with the Commercial Mediation Rules of the AAA unless the parties agree on alternative rules and a mediator within 15 days after either party first gives notice of mediation Such mediation shall be conducted in Riverside, California and shall be conducted and completed within 45 days following the date either party first gives notice of mediation If the parties fail to complete the mediation within such 45 day period, either party may initiate litigation The fees and expenses of the mediator shall be shared equally by the parties The mediator shall be disqualified as a witness, expert or counsel for any party with respect to any suit and any related matter Mediation is a compromise negotiation and shall constitute privileged communications under California and other Applicable Laws The entire mediation process shall be confidential and the conduct, statements, promises, offers, views and opinions of the mediator and the parties shall not be discoverable or admissible in any legal proceeding for any purpose provided, however, that evidence which is otherwise discoverable or admissible shall not be excluded from discovery or admission as a result of its use in the mediation

18 2 Arbitration Except as precluded by Applicable Law, any controversy or claim between Franchisor and Franchisee arising out of or relating to this Agreement or any alleged breach hereof, and any issues pertaining to the arbitrability of such controversy or claim and any claim that this Agreement or any part hereof is invalid, illegal, or otherwise voidable or void, shall be submitted to binding arbitration Said arbitration shall be conducted before and will be heard by one arbitrator in accordance with the then current commercial arbitration rules of the American Arbitration Association ('**AAA**") Judgment upon any award rendered may be entered in any Court having jurisdiction thereof Except to the extent prohibited by Applicable Law the proceedings shall be held in the City of Riverside, State of California All arbitration proceedings and claims shall be filed and prosecuted separately and individually in the name of Franchisee and Franchisor, and not in any class action or representative capacity, and shall not be joined with or consolidated with claims asserted by or against any other franchisee The arbitrator shall have no power or authority to grant punitive or exemplary damages as part of its award In no event may the material provisions of this Agreement including, but not limited to the method of operation, authorized product line sold or monetary obligations specified in this Agreement, amendments to this Agreement or in the Manuals be modified or changed by the arbitrator at any arbitration hearing The substantive law applied in such

arbitration shall be as provided in Section 19 7 of this Agreement The arbitration and the parties' agreement therefor shall be deemed to be self-executing, and if either party fails to appear at any properly noticed arbitration proceeding an award may be entered against such party despite said failure to appear All issues relating to arbitrability or the enforcement of the agreement to arbitrate contained herein shall be governed by the Federal Arbitration Act (9 U S C § 1 et seq), notwithstanding any provision of this Agreement specifying the state law under which this Agreement shall be governed and construed

18 2 1 Awards The arbitrator will have the right to award or include in his award any relief which he or she deems proper in the circumstances, including money damages (with interest on unpaid amounts from the date due), specific performance, injunctive relief and attorneys' fees and costs, in accordance with Section 17 2 1 of this Agreement, provided that the arbitrator will not have the authority to award exemplary or punitive damages The award and decision of the arbitrator will be conclusive and binding upon all parties and judgment upon 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 shall be bound by the provisions of any limitation on the period of time by which claims must be brought The parties agree that, in connection with any such arbitration proceeding, each will submit or file any claim which would constitute a compulsory counter-claim (as defined by Rule 13 of the Federal Rules of Civil Procedure) within the same proceedings as the claim to which it relates Any such claim which is not submitted or filed in such proceeding will be barred

18 2 2 Permissible Parties Franchisee and Franchisor agree that arbitration will be conducted on an individual not a class wide, basis and that any arbitration proceeding between Franchisee and Franchisor will not be consolidated with any other arbitration proceeding involving Franchisor and any other person or entity

18 2 3 Injunctive Relief Notwithstanding anything to the contrary contained in Section 18 2 Franchisor and Franchisee will each have the right in a proper case to obtain specific performance, temporary restraining orders and temporary or preliminary injunctive relief from a court of competent jurisdiction, and other provisional relief including but not limited to enforcement of liens, security agreements, or attachment, as Franchisor deems to be necessary or appropriate to compel Franchisee to comply with Franchisee s obligations to the Franchisor and/or to protect the Marks of the Franchisor, or any claim or dispute involving or contesting the validity of any of the Marks However, the parties will contemporaneously submit their dispute for arbitration on the merits Franchisee agrees that Franchisor may have temporary or preliminary injunctive relief without bond, but upon due notice, and Franchisee's sole remedy in the event of the entry of such injunctive relief will be the dissolution of the injunctive relief if warranted, upon hearing duly had (all claims for damages by reason of the wrongful issuance of any the injunction being expressly waived)

18 2 4 Survival The provisions of this Article ARTICLE 18 will continue in full force and effect subsequent to and notwithstanding the expiration or termination of this Agreement

ARTICLE 19
MISCELLANEOUS PROVISIONS

19 1 Notices Except as otherwise expressly provided herein, all written notices and reports permitted or required to be delivered by the parties pursuant hereto shall be deemed so delivered at the time delivered by hand one business day after transmission by facsimile or other electronic system expressly approved in the Manuals as appropriate for delivery of notices hereunder (with confirmation copy sent by regular U S mail), or 3 business days after placement in the United States Mail by Registered or Certified Mail Return Receipt Requested postage prepaid and addressed as follows

If to Franchisor

Farmer Boys Food Inc
3452 University Avenue
Riverside, CA 92501
Telephone (951) 275-9900
Fax (951) 275-9930

With copy (which shall not constitute notice) to

Kenneth R. Costello Esq
Bryan Cave LLP
120 Broadway, Suite 300
Santa Monica, California 90401
Facsimile No (310) 576-2200

If to Franchisee See Section 1 1

Any party may change his or its address by giving 10 days prior written notice of such change to all other parties

19 2 Franchisor's Right To Cure Defaults In addition to all other remedies herein granted if Franchisee shall default in the performance of any of its obligations or breach any term or condition of this Agreement or any related agreement, Franchisor may, at its election, immediately or at any time thereafter without waiving any claim for default or breach hereunder and without notice to Franchisee, cure such default or breach for the account and on behalf of Franchisee, and the cost to Franchisor thereof shall be due and payable on demand and shall be deemed to be additional compensation due to Franchisor hereunder and shall be added to the amount of compensation next accruing hereunder, at the election of Franchisor

19 3 Waiver and Delay No waiver by Franchisor of any default or series of defaults in performance by Franchisee, and no failure, refusal or neglect of Franchisor to exercise any right power or option given to it hereunder or under any other franchise or license agreement between Franchisor and Franchisee whether entered into before, after or contemporaneously with the execution hereof (and whether or not related to the Licensed Restaurant) or to insist upon strict compliance with or performance of Franchisee's obligations under this Agreement, any other franchise or license agreement between Franchisor and Franchisee, whether entered into before, after or contemporaneously with the execution hereof (and whether or not related to the Licensed Restaurant) or the Manuals, shall constitute a waiver of the provisions of this Agreement or the Manuals with respect to any subsequent default thereof or a waiver by Franchisor of its right at any time thereafter to require exact and strict compliance with the provisions thereof Franchisor will consider written requests by Franchisee for Franchisor's consent to a waiver of any obligation imposed by this Agreement Franchisee agrees, however, that Franchisor is not required to act uniformly with respect to waivers requests and consents as each request will be considered on a case by case basis, and nothing shall be construed to require Franchisor to grant any such request Any waiver granted by Franchisor shall be without prejudice to any other rights Franchisor may have will be subject to continuing review by Franchisor, and may be revoked, in Franchisor s discretion, at any time and for any reason, effective upon 10 days prior written notice to Franchisee Franchisor makes no warranties or guarantees upon which Franchisee may rely, and assumes no liability or obligation to Franchisee by providing any waiver approval, acceptance, consent, assistance or suggestion to Franchisee in connection with this Agreement, or by reason of any neglect, delay, or denial of any request

19 4 Survival of Covenants The covenants contained in this Agreement which, by their nature or terms, require performance by the parties after the expiration or termination of this Agreement, shall be enforceable notwithstanding said expiration or other termination of this Agreement for any reason whatsoever

19 5 Successors and Assigns, Benefit This Agreement shall be binding upon and inure to the benefit of the successors and assigns of Franchisor and Franchisee and its or their respective heirs, executors administrators successors and assigns, subject to the restrictions on Assignment contained herein This Agreement is for the benefit of the parties only, and is not intended to and shall not confer any rights or benefits upon any person who is not a party hereto

19 6 Joint and Several Liability If Franchisee consists of more than one person or Entity, or a combination thereof, the obligations and liabilities of each such person or entity to Franchisor are joint and several and such person(s) and/or Entities shall be deemed to be a general partnership

19 7 Governing Law This Agreement shall be governed by and construed in accordance with the laws of the State of California, without giving effect to any conflict of laws principles except that (a) the provisions in Sections 12 1 through and including 12 5 of this Agreement, which shall be governed by the laws of the state in

which the Restaurant operated hereunder is located, and (b) and state law relating to (1) the offer and sale of franchises (2) franchise relationships, or (3) business opportunities, will not apply unless the applicable jurisdictional requirements are met independently without reference to this paragraph

19 8 Entire Agreement This Agreement and the Manuals contain all of the terms and conditions agreed upon by the parties hereto with reference to the subject matter hereof No other agreements oral or otherwise shall be deemed to exist or to bind any of the parties hereto and all prior agreements understandings and representations are merged herein and superseded hereby Franchisee represents that there are no contemporaneous agreements or understandings relating to the subject matter hereof between the parties that are not contained herein No officer or employee or agent of Franchisor has any authority to make any representation or promise not contained in this Agreement or in any Franchise Disclosure Document for prospective franchisees required by Applicable Law, and Franchisee agrees that it has executed this Agreement without reliance upon any such representation or promise This Agreement cannot be modified or changed except by written instrument signed by all of the parties hereto

19 9 Titles For Convenience Article and Section titles used in this Agreement are for convenience only and shall not be deemed to affect the meaning or construction of any of the terms provisions covenants, or conditions of this Agreement

19 10 Gender And Construction The terms of all Exhibits hereto are hereby incorporated into and made a part of this Agreement as if the same had been set forth in full herein All terms used in any one number or gender shall extend to mean and include any other number and gender as the facts context, or sense of this Agreement or any article or Section hereof may require As used in this Agreement, the words include," includes' or including ' are used in a non-exclusive sense Unless otherwise expressly provided herein to the contrary any consent, acceptance approval or authorization of Franchisor which Franchisee may be required to obtain hereunder may be given or withheld by Franchisor in its sole discretion, and on any occasion where Franchisor is required or permitted hereunder to make any judgment, determination or use its discretion, including any decision as to whether any condition or circumstance meets Franchisor's System Standards or satisfaction, Franchisor may do so in its sole subjective judgment and discretion No provision herein expressly identifying any particular breach of this Agreement as material shall be construed to imply that any other breach which is not so identified is not material Neither this Agreement nor any uncertainty or ambiguity herein shall be construed or resolved against the drafter hereof, whether under any rule of construction or otherwise On the contrary, this Agreement has been reviewed by all parties and shall be construed and interpreted according to the ordinary meaning of the words used so as to fairly accomplish the purposes and intentions of all parties hereto Franchisor and Franchisee intend that if any provision of this Agreement is susceptible to two or more constructions, one of which would render the provision enforceable and the other or others of which would render the provision unenforceable, then the provision shall be given the meaning that renders it enforceable

19 11 Severability Nothing contained in this Agreement shall be construed as requiring the commission of any act contrary to law Whenever there is any conflict between any provisions of this Agreement or the Manuals and any present or future statute, law, ordinance or regulation contrary to which the parties have no legal right to contract, the latter shall prevail but in such event the provisions of this Agreement or the Manuals thus affected shall be curtailed and limited only to the extent necessary to bring it within the requirements of the law If any part, article, section, sentence or clause of this Agreement or the Manuals shall be held to be indefinite, invalid or otherwise unenforceable, the indefinite, invalid or unenforceable provision shall be deemed deleted, and the remaining part of this Agreement shall continue in full force and effect

19 12 Counterparts This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original and all of which together shall be deemed to be one and the same instrument

19 13 Fees and Expenses If any party to this Agreement shall bring any arbitration action or proceeding for any relief against the other, declaratory or otherwise, arising out of this Agreement, the losing party shall pay to the prevailing party a reasonable sum for attorney fees and costs incurred in bringing or defending such arbitration, action or proceeding and/or enforcing any judgment granted therein, all of which shall be deemed to have accrued upon the commencement of such arbitration, action or proceeding and shall be paid whether or not such action or proceeding is prosecuted to final judgment Any judgment or order entered in such action or proceeding shall contain a specific provision providing for the recovery of attorney fees and costs, separate from the

judgment, incurred in enforcing such judgment The prevailing party shall be determined by the trier of fact based upon an assessment of which party s major arguments or positions taken in the proceedings could fairly be said to have prevailed over the other party's major arguments or positions on major disputed issues For the purposes of this Section, attorney fees shall include fees incurred in the following (1) post-judgment motions, (2) contempt proceedings, (3) garnishment, levy, and debtor and third party examinations, (4) discovery, and (5) bankruptcy litigation This Section is intended to be expressly severable from the other provisions of this Agreement is intended to survive any judgment and is not to be deemed merged into the judgment

19 14 Waiver of Jury Trial, Venue TO THE EXTENT PERMITTED BY APPLICABLE LAW, THE PARTIES (1) HEREBY WAIVE THEIR RIGHT TO TRIAL BY JURY WITH RESPECT TO ANY DISPUTE ARISING UNDER THIS AGREEMENT, AND (2) THEY AGREE THAT RIVERSIDE, CALIFORNIA SHALL BE THE VENUE FOR ANY LITIGATION ARISING UNDER THIS AGREEMENT THE PARTIES ACKNOWLEDGE THAT THEY HAVE REVIEWED THIS SECTION AND HAVE HAD THE OPPORTUNITY TO SEEK INDEPENDENT LEGAL ADVICE AS TO ITS MEANING AND EFFECT

FRANCHISEE INITIALS	FRANCHISOR INITIALS

ARTICLE 20
SUBMISSION OF AGREEMENT

20 1 General The submission of this Agreement does not constitute an offer and this Agreement shall become effective only upon the execution thereof by Franchisor and Franchisee This Agreement shall not be binding on Franchisor unless and until it shall have been accepted and signed on its behalf by an authorized officer of Franchisor

ARTICLE 21
ACKNOWLEDGMENT

21 1 General Franchisee, and its Owners, jointly and severally acknowledge that they have carefully read this Agreement and all other related documents to be executed concurrently or in conjunction with the execution hereof, that they have obtained the advice of counsel in connection with entering into this Agreement, that they understand the nature of this Agreement, and that they intend to comply herewith and be bound hereby Except as set forth in the Franchise Disclosure Document, if any such representation was made, Franchisor expressly disclaims making and Franchisee acknowledges that it or they have not received or relied on any warranty or guarantee express or implied, as to the potential volume, profits, expenses, or success of the business venture contemplated by this Agreement

[signature page to follow]

IN WITNESS WHEREOF, the parties hereof have executed this Agreement as of the date of execution by

"Franchisor **FARMER BOYS FOOD, INC**

By _____
Name _____
Its _____

_____
Date of Execution

Franchisee' _____

_____
Date of Execution

[ ] a _____ general partnership,
[ ] a _____ limited partnership,
[ ] a _____ limited liability company
[ ] a _____ corporation

By _____
Print Name _____
Its _____

By _____
Print Name _____
Its _____

By _____
Print Name _____
Its _____, and individually

By _____
Print Name _____
Its _____, and individually

_____
Name _____
Its _____, and individually

APPENDIX 1

"**AAA** shall have the meaning set forth in Section 18 2 of this Agreement

Additional Training shall have the meaning set forth in Section 6 3 3 of this Agreement

Adjusted Gross Revenue' means the total of all revenues received or receivable by Franchisee as payment, whether in cash or for credit or barter, or other means of exchange (and if for credit or barter, whether or not payment is received therefor), on account of any and all goods, merchandise, services or products sold in or from the Licensed Restaurant, including Catering, take-out and delivery or which are promoted or sold under any of the Marks, during each Accounting Period of the Term whether or not Franchisor offers such services or products in its other locations including, (a) revenues from sales of any nature or kind whatsoever, derived by Franchisee or by any other person or Entity (including Franchisee's Affiliate(s)) from the Licensed Restaurant, (b) sales of Authorized FARMER BOYS® Products in contravention of this Agreement, (c) the proceeds of any business interruption insurance after the satisfaction of any applicable deductible, which shall include coverage for Franchisor's benefit to cover lost Continuing Royalties and Marketing Fund Contributions and other payments due to Franchisor during any interruption in operations, calculated based on historical Adjusted Gross Revenue prior to the business interruption, and (d) sales from vending devices including pay telephones Notwithstanding the foregoing, Adjusted Gross Revenue shall exclude the following (i) sums representing sales taxes collected directly from customers by Franchisee in the operation of the Licensed Restaurant, and any sales, value added or other tax excise or duty charged to customers which is levied or assessed against Franchisee by any Federal, state, municipal or local authority, based on sales of specific goods, products, merchandise or services sold or provided at or from the Licensed Restaurant, provided that such taxes are actually transmitted to the appropriate Governmental Authority, (ii) sums representing tips, gratuities or service charges paid directly by customers to employees of Franchisee or paid to Franchisee and promptly and to the extent turned over to such employees by Franchisee in lieu of direct tips or gratuities (iii) proceeds from isolated sales of equipment and trade fixtures not constituting any part of Franchisee's products and services offered for resale at the Licensed Restaurant nor having any material effect upon the ongoing operation of the Licensed Restaurant required under this Agreement, and (iv) revenues received on account of sales of pre-paid gift cards in accordance with Franchisor s policies in effect from time to time (which shall be remitted by Franchisee to Franchisor or a designated Supplier appointed to administer the Gift Card Program), provided however, that revenues received by Franchisee upon redemption of such pre-paid gift cards shall be included as part of "Adjusted Gross Revenue For purposes of clarity, with respect to goods, merchandise, services or products sold pursuant to coupons or other discounts given directly to customers (which must be approved in advance by Franchisor), Adjusted Gross Revenue shall include only the amounts actually received from the customer and not include the value of the discount from the regular purchase price of such goods merchandise, services or products

' **Affiliate**" when used herein in connection with Franchisor or Franchisee, includes each person or Entity which directly, or indirectly, through one or more intermediaries, controls, is controlled by, or is under common control with Franchisor or Franchisee, as applicable Without limiting the foregoing the term Affiliate" when used herein in connection with Franchisee includes any Entity 10% or more of whose Equity or voting control, is held by person(s) or Entities who, jointly or severally, hold 10% or more of the Equity or voting control of Franchisee For purposes of this definition, control of a person or Entity means the power, direct or indirect, to direct or cause the direction of the management and policies of such person or Entity whether by contract or otherwise Notwithstanding the foregoing definition, if Franchisor or its Affiliate has any ownership interest in Franchisee, the term ' Affiliate shall not include or refer to the Franchisor or that Affiliate and no obligation or restriction upon an Affiliate of Franchisee, shall bind Franchisor, or said Affiliate or their respective direct and indirect parents or subsidiaries, or their respective officers directors, or managers

' **Agreement**" means this Franchise Agreement

'**Anti-Terrorism Laws**" means the International Money Laundering Abatement and Anti-Terrorist Financing Act Executive Order 13224 issued by the President of the United States of America (or any successor Order), the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act (USA PATRIOT Act) of 2001 (or any successor legislation) and all other present and future national, provincial, federal, state and local laws, ordinances, regulations policies, lists, Orders and any other requirements of any Governmental Authority addressing or in any way relating to terrorist acts and acts of war

Applicable Law" means and includes applicable common law and all applicable statutes laws, rules regulations ordinances, policies and procedures established by any Governmental Authority, as in effect on the Effective Date, and as may be amended, supplemented or enacted from time to time, governing the directly or indirectly the ownership, financing, development, construction, operation, or use of revenue related to the Licensed Restaurant, and related activities, or prohibiting unfair, fraudulent or corrupt business acts, omissions or practices, including without limitation, all labor, immigration, food and drug laws and regulations, the Americans with Disabilities Act, and Anti-Terrorism Laws

Area Development Agreement" means an agreement between Franchisee and Franchisor under which Franchisee or its Affiliate ahs agreed to open multiple Restaurants and pursuant to which Franchisee has executed this Agreement

Assets" means all of the following personal property and assets owned by Franchisee or in which Franchisee otherwise has any rights, and located at, or used in connection with the Licensed Restaurant (a) all accounts, licenses permits, and contract rights, including this Agreement, leasehold interests, all telephone and telecopier numbers, telephone and other directory listings, general intangibles, receivables claims of Franchisee, all guaranties and security therefor and all of Franchisor's right, title and interest in the goods purchased and represented by any of the foregoing, (b) all chattel paper including electronic chattel paper and tangible chattel paper, (c) all documents and instruments, (d) all letters of credit and letter-of-credit rights and all supporting obligations, (e) all deposit accounts (f) all investment property and financial assets (g) all inventory and products thereof and documents therefor, (h) all furniture, fixtures, equipment, leasehold improvements and machinery, wherever located and all documents and general intangibles covering or relating thereto, (i) all books and records pertaining to the foregoing, including computer programs, data, certificates, records, circulation lists, subscriber lists, advertiser lists, supplier lists, customer lists, customer and supplier contracts, sales orders, and purchasing records, (j) all software including computer programs and supporting information, (k) all commercial tort claims, (l) all other personal property of Franchisee of any kind used in connection with the Licensed Restaurant, and (m) all proceeds of the foregoing, including proceeds of insurance policies

Assignment shall mean and refer to any assignment, transfer gift or other conveyance, voluntarily or involuntarily, in whole or in part, by operation of Applicable Law or otherwise of any interest in this Agreement or any of Franchisee's rights or privileges hereunder or all or any substantial portion of the assets of the Licensed Restaurant, including the Lease, provided further however, that if Franchisee is an Entity, each of the following shall be deemed to be an Assignment of this Agreement (i) the sale, assignment, transfer, conveyance, gift, pledge, mortgage, hypothecation or other encumbrance of more than 49% in the aggregate, whether in one or more transactions, of the Equity or voting power of Franchisee, by operation of law or otherwise or any other event(s) or transaction(s) which, directly or indirectly, effectively changes control of Franchisee, (ii) the issuance of any securities by Franchisee which itself or in combination with any other transaction(s) results in the Owners, as constituted on the Effective Date, owning less than 51% of the outstanding Equity or voting power of Franchisee, (iii) if Franchisee is a Partnership, the resignation, removal, withdrawal, death or legal incapacity of a general partner or of any limited partner owning more than 49% of the Partnership Rights of the Partnership, or the admission of any additional general partner, or the transfer by any general partner of any of its Partnership Rights in the Partnership, or any change in the ownership or control of any general partner, (iv) the death or legal incapacity of any Owner owning more than 49% of the Equity or voting power of Franchisee, and (v) any merger stock redemption, consolidation, reorganization, recapitalization or other transfer of control of the Franchisee, however effected

Authorized FARMER BOYS® Products" means the foods products sauces, marinades and beverages and other food items and ancillary related products which may include specialty foods packaged foods, books, hats t-shirts and novelty items, as specified by Franchisor from time to time in the Manuals or as otherwise directed by Franchisor in writing for sale at a Restaurant, prepared, sold and/or manufactured in strict accordance with Franchisor's recipes, System Standards, including specifications as to ingredients, brand names, preparation and presentation

"**Catering**" means (i) the preparation provision and service and management of service of food and beverages (including sales, marketing and promotional practices related thereto) to guests, invitees and other third parties on behalf of a client of the provider, whether on premises owned, leased, managed licensed, hired or operated by such client, or for a venue-based catering facility not constituting a Restaurant by the provider

including, without limitation, a private cultural, entertainment, healthcare, sports, convention or educational facility or as part of a special event such as a sporting cultural, charitable or political event, and (ii) contract catering services which means the preparation, provision and service or management of service of food and beverages (including sales, marketing and promotional practices related thereto) to employees, customers, vendors, guests and invitees (but not the general public) on behalf of a client or to a client directly on an ongoing basis over a period of time pursuant to a contract with such client

Competitive Activities" means to, own, operate, lend to, advise, be employed by, or have any financial interest in (i) any Restaurant that offers or sells burgers or breakfast (ii) any family dining restaurant, other than a Restaurant operated pursuant to a validly subsisting franchise agreement with Franchisor, and other than Franchisee's, or its Affiliate's continued operation, substantially in the same manner as presently conducted of any grandfathered" restaurant(s) identified on Exhibit G Notwithstanding the foregoing, **Competitive Activities** shall not include the direct or indirect ownership solely as an investment, of securities of any Entity which are traded on any national securities exchange if the owner thereof (i) is not a controlling person of, or a member of a group which controls, such Entity and (ii) does not, directly or indirectly, own 5% or more of any class of securities of such Entity

"**Continuing Royalty** shall have the meaning set forth in Section 4 2 of this Agreement

' **Co-op Advertising Regions**" shall have the meaning set forth in Section 8 4 of this Agreement

"**Crisis Management Event**" means any event that occurs at or about the Licensed Restaurant that has or may cause harm or injury to customers or employees, such as food contamination, food spoilage/poisoning, food tampering/sabotage, contagious diseases, natural disasters, terrorist acts shootings or any other circumstance which may damage the System, Marks, or image or reputation of Restaurant s or Franchisor or its Affiliates

' **Default** or "**default**" means any breach of, or failure to comply with, any of the terms or conditions of an agreement

"**Designated Manager**' means an individual, acceptable to, and certified by Franchisor, and responsible for overseeing the operation of the Licensed Restaurant whose identity must be known by Franchisor at all times

"**Dispute**" shall have the meaning set forth in Section 18 1 of this Agreement

EFT" shall have the meaning set forth in Section 4 5 1 of this Agreement

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

'**Equity** ' means capital stock, membership interests, Partnership Rights, or other equity ownership interests of an Entity

"FARMER BOYS® Brand Product means any product now existing or developed in the future that bears any of the Marks

First Successor Franchise Agreement shall have the meaning set forth in Section 3 2 of this Agreement

First Successor Term shall have the meaning set forth in Section 3 2 of this Agreement

Force Majeure' means acts of God (such as tornadoes, earthquakes, hurricanes floods, fire or other natural catastrophe), strikes, lockouts or other industrial disturbances war, terrorist acts, riot, or other civil disturbance, epidemics or other similar forces which Franchisee could not by the exercise of reasonable diligence have avoided, provided however, that neither an act or failure to act by a Governmental Authority, nor the performance, non-performance or exercise of rights under any agreement with Franchisee by any lender, landlord, contractor, or other person shall be an event of Force Majeure hereunder, except to the extent that such act, failure to act performance, non-performance or exercise of rights results from an act which is otherwise an event of Force

Majeure For the avoidance of doubt, Franchisee's financial inability to perform or Franchisee's insolvency shall not be an event of Force Majeure hereunder

"**Gift Card Program** shall have the meaning set forth in Section 7 3 4 of this Agreement

"**Gift Cards**" shall have the meaning set forth in Section 7 3 4 of this Agreement

"**Governmental Authority**" means and includes all Federal, state county, municipal and local governmental and quasi-governmental agencies, commissions and authorities

"**Heirs**" shall have the meaning set forth in Section 14 3 2 of this Agreement

"**Information**" shall have the meaning set forth in Section 10 1 of this Agreement

"**Information Systems**" means all electronic based hardware, software, middleware, web-based solutions, wireless, electronic interfaces, cabling, and other electronic devices, including, computer systems, point of sale and cash collection systems, data systems, network systems, printer systems, internet systems, telecommunication systems, menu systems, security systems, digital media systems, video and still digital cameras, power systems, music systems, and required service and support systems and programs

"**Initial Training Program**" shall have the meaning set forth in Section 6 1 1

'**Internet**" means collectively the myriad of computer and telecommunications facilities, including equipment and software, which comprise the interconnected worldwide network of networks that employ the TCP/IP [Transmission Control Protocol/Internet Protocol], or any predecessor or successor protocols to such protocol, to communicate information of all kinds by fiber optics, wire, radio, or other methods of transmission

'**Lease**" shall mean any agreement, however denominated, that allows Franchisee to occupy the Location if owned by a third party including any lease, sublease, concession agreement, license, and similar arrangement between Franchisee and a third party

'**Licensed Restaurant**" means, as context requires, the Restaurant to be developed, or already developed, at the Location by Franchisee pursuant to this Agreement

"**Local Advertising Expenditure**" shall have the meaning set forth in Section 8 2 of this Agreement

"**Manuals** ' means Franchisor's library of operations and training manuals, including start-up manual and franchise unit operation manual, and any other written directive related to the System, as the same may be amended and revised from time to time, including all bulletins, supplements and ancillary and additional manuals and written directives established by Franchisor as in effect and amended from time to time

"**Marketing Fund Contribution**" shall have the meaning set forth in Section 4 3 of this Agreement

"**Marketing Fund**" shall have the meaning set forth in Section 4 3 of this Agreement

' **Marks**" shall have the meaning set forth in Recital A of this Agreement

"Master Lease," if applicable, means the lease for the Location under which Franchisor or its Affiliate is the lessee, and pursuant to which Franchisor or its Affiliate has subleased the Location to Franchisee

"**Multi-Unit Manager**" shall have the meaning set forth in Section 7 2 4 of this Agreement

"**Non-Proprietary Products**" shall have the meaning set forth in Section 9 3 of this Agreement

"**Non-Traditional Venue** is a facility operated under the Marks located within another primary business or in conjunction with other businesses or at institutional settings, including toll roads, hotels and motels, ships,

ports, piers, municipal facilities, public transportation facilities, casinos, stadiums airports, colleges and universities, schools theme or amusement park, county or state fair, special event location, hospitals, military and other governmental facilities, office or in-plant food service facilities, any major, regional or enclosed mall (excluding shopping center outlets), shopping mall food courts operated by a master concessionaire grocery stores, supermarkets and convenience stores, mobile unit, kiosk, or other similar locations of a "non-standard' nature, and any site for which the lessor, owner or operator thereof shall have indicated its intent to prefer or limit the operation of its food service facilities to a master concessionaire or contract food service provider

'**Notice of Election**" shall have the meaning set forth in Section 3 3 1 of this Agreement

On-Site Training" shall have the meaning set forth in Section 6 2 of this Agreement

Option Notice" shall have the meaning set forth in Section 5 3 5 of this Agreement

'**Owner**' means any direct or indirect shareholder, member, general or limited partner, trustee, or other equity owner of an Entity, except, that if Franchisor or any Affiliate of Franchisor has any ownership interest in Franchisee, the term 'Owner" shall not include or refer to the Franchisor or that Affiliate or their respective direct and indirect parents and subsidiaries, and no obligation or restriction upon the 'Franchisee", or its Owners shall bind Franchisor or said Affiliate or their respective direct and indirect parents and subsidiaries or their respective officers, directors, or managers

'**Partnership Rights**" means voting power, property, profits or losses or partnership interests of a Partnership

"**Partnership**' means any general partnership, limited partnership, or limited liability partnership

'**Permits**" means and includes all applicable franchises licenses, permits, registrations, certificates and other operating authority required by Applicable Law

'**Premises**' means the premises owned, leased or subleased by Franchisee at which the Licensed Restaurant is located including any ancillary common area, parking lot, campus buildings and other structures associated with the Premises

'**Proprietary Products**" shall have the meaning set forth in Section 9 2 of this Agreement

'**Related Persons**" means the Franchisee and each of its Owners and Affiliates and the respective officers, directors managers, and Affiliates of each of them, the Operating Principal the Designated Manager(s), and the spouse and family members who live in the same household of each of the foregoing who are individuals

"**Restaurant**" means a restaurant being developed or operated, as the case may be under the Marks and in accordance with the System and specializing in the sale of Authorized FARMER BOYS® Products

"**ROFR**' shall have the meaning set forth in Section 13 2 3 (c) of this Agreement

ROFR Period shall have the meaning set forth in Section 13 2 3 (c) of this Agreement

'**Second Successor Franchise Agreement**' shall have the meaning set forth in Section 3 2 of this Agreement

Second Successor Term" shall have the meaning set forth in Section 3 2 of this Agreement

"**Site Review Request**' shall have the meaning set forth in Section 5 1 1 of this Agreement

'**ServSafe**" means the food safety training program administered by the National Restaurant Association Educational Foundation under the 'ServSafe' name, or such other or additional food safety program or certification

program designated or accepted by Franchisor from time to time for the jurisdiction in which the Licensed Restaurant is located

"**Successor Franchise Agreement**' means the First Successor Franchise Agreement or the Second Successor Franchise Agreement, as the context requires

Successor Franchise Right' shall have the meaning set forth in Section 3 2 of this Agreement

"**Successor Term**" means the First Successor Term or Second Successor Term, as the context requires

' **Supplier**" shall have the meaning set forth in Section 9 3 of this Agreement

"**System** means Franchisor's operating methods and business practices related to its Restaurants, and the relationship between Franchisor and its franchisees, including defined product offerings recipes, and preparation methods, distinctive interior and exterior Restaurant designs, including architectural designs layout plans, other items of trade dress, specifications for equipment, fixtures, and uniforms, signs, Trade Secrets and other confidential information restrictions on ownership, inventory techniques, standard operating and administrative procedures, management and technical training programs, and marketing and public relations programs, all as Franchisor may modify the same from time to time

"System Standards" means the specifications, standards, policies, operating procedures and rules Franchisor establishes requires for the operation of Restaurants, as modified by Franchisor from time to time in writing

Term shall have the meaning set forth in Section 3 1 of this Agreement including any extensions thereof

"**Territory**" shall have the meaning set forth in Section 2 3 1 of this Agreement

"**Trade Secrets**" means proprietary and confidential information including, recipes, ingredients, specifications, procedures, policies, concepts systems, know-how, plans software, strategies, and methods and techniques of operating the Licensed Restaurant and producing and preparing Authorized FARMER BOYS® Products, excluding information that is or becomes a part of the public domain through publication or communication by third parties not bound by any confidentiality obligation or that Franchisee can show was already lawfully in Franchisee's possession before receipt from Franchisor

"**Trademark Claim**' shall have the meaning set forth in Section 11 5 of this Agreement

Traditional Restaurant" is a business premises that exists primarily as a Restaurant, excluding any Restaurant at a Non-Traditional Venue, however, which Traditional Restaurant may also have other types of Franchisor-approved co-branded businesses located in it, but in such case the Restaurant is the primary business

'**Week** means each seven day period commencing on Monday and ending on Sunday

EXHIBIT A

Territory

The Territory shall be as follows

[ ] A radius of one (1) mile surrounding the Location of the Licensed Restaurant

[ ] The area outline on the attached map and described as follows

_____

_____

_____

_____

_____

_____

* If the Territory is defined by streets, highways, freeways, or other roadways, or rivers, streams, or tributaries, then the boundary of the Territory shall extend to the center of each such street, highway, freeway, or other roadway, or river, stream or tributary

EXHIBIT B

AUTHORIZATION AGREEMENT FOR PREARRANGED PAYMENT
(DIRECT DEBITS)

The undersigned depositor ("Depositor") authorizes Farmer Boys Food Inc ('Farmer Boys') to request debit entries and/or credit correction entries to the Depositor's checking and/or savings account(s) indicated below and the depository (Depository") to debit the account according to Farmer Boys instructions

Depository	Branch
Street Address City, State, Zip Code	
Bank Transit / ABA Number	Account Number

This authorization is to remain in full force and effect until Depository has received joint written notification from Farmer Boys and Depositor of the Depositor's termination of the authorization in a time and manner that will give Depository a reasonable opportunity to act on it In spite of the foregoing Depository will give Farmer Boys and Depositor thirty (30) days' prior written notice of the termination of this authorization If an erroneous debit entry is made to Depositor's account, Depositor will have the right to have the amount of the entry credited to the account by Depository, if within fifteen (15) calendar days following the date on which Depository sent to Depositor a statement of account or a written notice pertaining to the entry or forty five (45) days after posting, whichever occurs first, Depositor has sent Depository a written notice identifying the entry, stating that the entry was in error, and requesting Depository to credit the amount of it to the account These rights are in addition to any rights Depositor may have under federal and state banking laws

Depositor	Depository
By	By
Title	Title
Date	Date

EXHIBIT C
Entity Information

If Franchisee is an Entity, Franchisee represents and warrants that the following information is accurate and complete in all material respects

(1) Franchisee is a (check as applicable)

[ ] corporation
[ ] limited liability company
[ ] general partnership
[ ] limited partnership
[ ] Other (specify) _____

(2) Franchisee shall provide to Franchisor concurrently with the execution hereof true and accurate copies of its charter documents including Articles of Incorporation, Bylaws, Operating Agreement Partnership Agreement, resolutions authorizing the execution hereof and any amendments to the foregoing ('Entity Documents")

(3) Franchisee promptly shall provide such additional information as Franchisor may from time to time request concerning all persons who may have any direct or indirect financial interest in Franchisee

(4) The name and address of each of Franchisee's Owners, members, or general and limited partner

Name	Address	Number of Shares / % Interest

(5) There is set forth below the names, and addresses and titles of Franchisee's principal officers or partners who will be devoting their full time to the Business

Name & Title	Address

(6) The address where Franchisee's Financial Records, and Entity records (e g , Articles of Incorporation, Bylaws, Operating Agreement, Partnership Agreement, etc) are maintained is

_____
_____
_____

EXHIBIT D
Addendum to Lease

THIS ADDENDUM TO LEASE ('**Addendum**') is made this __ day of _____, 20__ by and between _____ ('**Landlord**') and _____ ('**Franchisee**") and Farmer Boys Food, Inc , a California corporation ('**Franchisor**") with reference to the following facts

A Franchisor and Franchisee are parties to that certain Franchise Agreement dated _____, 20____ (the "**Franchise Agreement**')

B Landlord and Franchisee desire to enter into a lease (the "**Lease**") pursuant to which Franchisee will occupy the premises located at _____ _____ (the '**Premises**") for a Farmer Boys® Restaurant (the "Restaurant") licensed under the Franchise Agreement

C Franchisee is required to execute and to cause Landlord to execute this Addendum

NOW, THEREFORE the parties agree as follows

1 Notwithstanding anything to the contrary contained in the Lease

a) Franchisee shall be the only facility, excluding supermarkets or similar convenience stores, specializing in similar food sales in the center (or nearby centers owned by the same Landlord),

b) The Premises shall be constructed and improved pursuant to the Franchise Agreement,

c) *[This paragraph to be used instead of Section 2 if Landlord and Franchisor are unaffiliated entities>>]* Franchisor or its designee shall have the right, but not the obligation, without cost or expense to Franchisor or such designee to assume the Lease, or execute a substitute lease on the same terms for the then remaining term of the Lease plus all remaining option/renewal terms, in the event of termination or expiration of the Franchise Agreement for any reason,

d) Franchisor or its designee shall have the right (but not the obligation) to succeed to Franchisee's rights under the Lease if Franchisee fails to exercise any option to renew, and or extend the term of the Lease,

e) Upon Franchisee's default under the Lease, or upon any alleged default thereof by Franchisee, the Landlord shall notify Franchisor in writing at least 15 days prior to the date of termination or non-renewal of the Lease and in the case of a default, Franchisor or its designee shall have the right, but not the obligation, without liability to Franchisee, to cure the default and to succeed to Franchisee's rights under said Lease or request that the Landlord terminate the Lease and enter into a substitute Lease with Franchisor or said designee on the same terms by giving written notice of such election to Franchisee and such Landlord,

f) Franchisee shall have the unrestricted right, without Landlord consent, payment to Landlord or modification of any term of the Lease during the entire term of the Lease (including any renewal terms) to assign or sublet the Premises to Franchisor, its designee, or any franchisee or licensee approved by Franchisor and who meets Landlord's reasonable financial suitability requirements,

g) Except as permitted in this Addendum the Lease may not be assigned, subleased, modified or amended without Franchisor's prior written consent and that Franchisor shall be provided with copies of all such assignments subleases, modifications and amendments

h) Landlord must disclose to Franchisor, upon Franchisor's request all sales and other information furnished to the Landlord by Franchisee

i) Upon expiration or termination of the Lease for any reason, Franchisee shall, upon Franchisor's demand, remove all of the Marks from the Location and Premises and modify the decor of the Location so that it no longer resembles, in whole or in part, a Restaurant and otherwise comply with ARTICLE 15 of the Franchise Agreement If Franchisee shall fail do so, Franchisor will be given written notice and the right to enter the Location and Premises to make such alterations, in which event Franchisee shall reimburse Franchisor for all direct and indirect costs and expense it may incur in connection therewith including attorneys fees,

j) A Franchisee default under the Franchise Agreement may not be designated as a default under the Lease without the prior written consent of Franchisor, and

k) During the term of the Lease the Premises may not be used for any use other than the operation of a Farmer Boys ® Restaurant

_____ 2 *[This section to be used instead of Section 1(c) if Landlord and Franchisor are affiliated entities >>]* Following the occurrence of a Franchisee default under the Franchise Agreement (and if applicable, the expiration, without cure, of the cure period applicable to a default Franchisee is entitled to cure), Franchisor shall have the right, but not the obligation, to assume, or to cause its designee to assume the obligations of Franchisee under the Lease and succeed to the interest of Franchisee as tenant thereunder (the '**Assumption Right**") Franchisor shall exercise the Assumption Right by delivering to Landlord written notice of Franchisor's exercise thereof (the "**Election Notice**"), and upon delivery of the Election Notice, the Lease shall be deemed to have been assigned to Franchisor or its designee The provisions of this Section 2 shall be self-operative and shall not require any payment by Franchisor, the consent of Franchisee or further instruments to give effect thereto provided, however, that promptly following Franchisor's exercise of the Assumption Right, Landlord and Franchisor or its designee, as the case may be shall execute a Confirmation of Assignment of Lease substantially in the form attached hereto as Exhibit D-1 Landlord and Tenant shall (i) execute a Memorandum of Lease substantially in the form attached hereto as Exhibit D-2 (the "**Memorandum of Lease**) concurrently with the execution of the Lease and (ii) cause the Memorandum of Lease to be recorded in the appropriate county recorder's office promptly following execution of the Lease.

3 Nothing in the Lease or this Addendum shall neither create or purport to create any obligations on behalf of Franchisor to Landlord or Franchisee and nothing in the Lease or this Addendum shall grant or purport to grant to Landlord any right to pursue any claim against Franchisor arising out of Tenant's breach or default under the Lease

4 In the event of any conflict or inconsistency between the Lease and this Addendum, this Addendum shall control

IN WITNESS WHEREOF, the parties have executed this Addendum as of the date first set forth above

"Landlord"

_____

By _____
Name _____
Its _____

'Tenant

_____

By _____
Name _____
Its _____

"Franchisor

FARMER BOYS FOOD, INC ,

By _____
Name _____
Its _____

EXHIBIT D-1
Confirmation of Assignment of Lease

CONFIRMATION OF ASSIGNMENT OF LEASE

This Confirmation of Assignment of Lease ("Confirmation') dated effective as of _____ (Effective Date) is entered into by and between _____ (Landlord) and _____ (' Assignee")

RECITALS

A Landlord and _____ ('Tenant") entered into that certain unrecorded [exact title of lease] dated as of _____ (the "Lease")

B The Lease covers the real property commonly known as _____ (the Premises')

C The Lease provides that if Tenant commits a default under the Franchise Agreement Franchisor has the right to exercise the Assumption Right by delivering to Landlord the Election Notice and the Lease shall thereupon be deemed to have been assigned to Assignee

D Prior to execution of this Confirmation, Franchisor delivered the Election Notice to Landlord

E All undefined, capitalized terms used in this Confirmation shall have the same meanings as those assigned to them in the Lease

TERMS AND CONDITIONS

NOW, THEREFORE, in consideration of the mutual promises, covenants and conditions contained herein, the parties hereby agree as follows

1 Assignment Landlord hereby confirms that all of Tenant's right title and interest in and obligations under, the Lease have been assigned to Assignee

2 Assumption of Lease Obligations Assignee assumes and agrees to perform and discharge, when due, all of the obligations of Tenant under the Lease for the benefit of Landlord, and agrees to be bound by all of the covenants and conditions contained in the Lease

IN WITNESS WHEREOF, Landlord and Assignee have executed this Assignment effective as of the date first written above

LANDLORD	**ASSIGNEE**
By _____	By _____
Name	Name
Title	Title

EXHIBIT D-2
Memorandum of Lease

RECORDING REQUESTED BY

WHEN RECORDED RETURN TO

MEMORANDUM OF LEASE

THIS MEMORANDUM OF LEASE is dated effective as of the ____ day of _____, 20___ by and between _____ (Landlord") and _____ ('Tenant)

By this Memorandum of Lease, and by that certain unrecorded lease dated _____ (the Lease") by and between Landlord and Tenant Landlord hereby leases to Tenant and Tenant hereby leases from Landlord, the real property commonly known as _____ (the "Premises") more particularly described in Exhibit ' A" attached hereto and made a part hereof subject to all the terms, covenants and conditions set forth in the Lease all of which terms, covenants and conditions are incorporated herein by reference as fully and completely as if specifically set forth in full

The term of the Lease shall be for _____ (__) years, commencing _____ and expiring _____

The purpose of this Memorandum of Lease is solely to give notice of the existence of the Lease and the ' Assumption Right" of Franchisor" (as those terms are defined in the Lease) This Memorandum of Lease does not in any manner enlarge, reduce or otherwise modify in any respect, the respective rights, privileges liabilities or obligations of Landlord and Tenant under the Lease, or any other written agreement between Landlord and Tenant with respect to the Premises, and this Memorandum of Lease is not intended to be a complete summary of the Lease and the provisions hereof shall not be used in interpreting or construing any of the provisions of the Lease In the event of any conflict between the provisions of this Memorandum of Lease and the provisions of the Lease, the provisions of the Lease shall control

This Memorandum may be executed in any number of counterparts, each of which shall be deemed an original, but all of which together will constitute one and the same instrument

IN WITNESS WHEREOF, this Memorandum of Lease has been executed as of the day and year first above written

"LANDLORD" ' TENANT"

_____ _____

[ATTACH NOTARIAL ACKNOWLEDGMENTS]

EXHIBIT E

NONDISCLOSURE AND NONCOMPETITION AGREEMENT

In return for his or her training by Farmer Boys Food, Inc ('Farmer Boys"), to operate a FARMER BOYS® Restaurant or his or her employment by Farmer Boys or one of its franchisees the undersigned Confidant agrees as follows

1 Nondisclosure of Trade Secrets and Confidential Information

Confidant agrees, during the term of the Franchise Agreement and following termination expiration, or assignment of the Agreement, not to disclose, duplicate, sell reveal, divulge, publish, furnish, or communicate either directly or indirectly, any Trade Secret or other Confidential Information of Farmer Boys to any other person or company unless authorized in writing by Farmer Boys Confidant agrees not to use any Trade Secrets or Confidential Information for his or her personal gain or for purposes of others, whether or not the Trade Secret or Confidential Information has been conceived, originated, discovered, or developed, in whole or in part, by Confidant or represents Confidant's work product If Confidant has assisted in the preparation of any information that Farmer Boys considers to be a Trade Secret or Confidential Information or has himself or herself prepared or created the information, Confidant assigns any rights that he or she may have in the information as its creator to Farmer Boys including all ideas made or conceived by Confidant

2 Definition of Trade Secrets and Confidential Information

For purposes of this Agreement, the terms Trade Secrets" and 'Confidential Information" mean any knowledge, techniques, processes, or information made known or available to Confidant that Farmer Boys treats as confidential, whether existing now or created in the future including but not limited to information about the cost of materials and supplies, supplier lists or sources of supplies, recipes, product specifications and ingredients, internal business forms, orders customer accounts, manuals and instructional and training materials describing Farmer Boys' methods of operation, including Farmer Boys' Operations Manual, products, drawings, designs plans, proposals, business development plans and marketing plans, all concepts or ideas in, or reasonably related to Farmer Boys business that have not previously been publicly released by Farmer Boys, and any other information or property of any kind of Farmer Boys that may be protected by law as a Trade Secret, confidential, or proprietary The Trade Secrets and Confidential Information described in this Agreement are the sole property of Farmer Boys

3 Return of Proprietary Materials

Upon termination of franchise ownership or employment by Farmer Boys or a FARMER BOYS® franchisee, Confidant must surrender to Farmer Boys all materials considered proprietary by Farmer Boys, technical or nontechnical, whether or not copyrighted, that relate to Trade Secrets, Confidential Information, or conduct of the operations of Farmer Boys Confidant expressly acknowledges that any such materials of any kind given to him or her are and will remain the sole property of Farmer Boys

4 Solicitation of Employees

Confidant further agrees that he or she will not furnish to or for the benefit of any competitor of Farmer Boys, or the competitor's Confidants, or the competitor s subsidiaries, the name of any person who is employed by Farmer Boys or by any other Confidant of Farmer Boys He or she will not, directly or indirectly or by action in connection with others induce or influence (or seek to induce or influence) any person who is engaged (as an agent, employee, or independent contractor) by Farmer Boys or any FARMER BOYS® franchisee to terminate his or her employment or engagement

5 Noncompetition

Confidant agrees and covenants that because of the confidential and sensitive nature of the Confidential Information and because the use of the Confidential Information in certain circumstances may cause irrevocable damage to Farmer Boys, Confidant will not, until the expiration of 24 months after the termination of the employment relationship between Confidant and Farmer Boys or the Farmer Boys Confidant that employs him or

her, or termination of the ownership interest of Confidant in a FARMER BOYS® franchise, engage, directly or indirectly or through any corporations or Related Persons, in any food service establishment that specializes in hamburgers sandwiches or breakfast and is located within three (3) miles of the Location and any FARMER BOYS® Restaurant

6 Saving Provision

Confidant agrees and stipulates that the agreements and covenants not to compete contained in the preceding paragraph are fair and reasonable in light of all the facts and circumstances of the relationship between Confidant and Farmer Boys, however, Confidant and Farmer Boys are aware that in certain circumstances courts have refused to enforce certain agreements not to compete Therefore, in furtherance of the provisions of the preceding paragraph, Confidant and Farmer Boys agree that if a court or arbitrator should decline to enforce the provisions of the preceding paragraph, that paragraph must be considered modified to restrict Confidant s competition with Farmer Boys to the maximum extent, in both time and geography which the court or arbitrator finds enforceable

7 Irreparable Harm to Farmer Boys

Confidant understands and agrees that Farmer Boys will suffer irreparable injury that cannot be precisely measured in monetary damages to its Trade Secrets if Confidential Information or proprietary information is obtained by any person, firm, or corporation and is used in competition with Farmer Boys Accordingly, Confidant agrees that it is reasonable and for the protection of the business and goodwill of Farmer Boys for Confidant to enter into this Agreement If there is a breach of this Agreement by Confidant Confidant consents to entry of a temporary restraining order or other injunctive relief and to any other relief that may be granted by a court having proper jurisdiction

8 Binding Effect

This Agreement will be binding on Confidant s heirs executors, successors, and assignees as though originally signed by those people

9 Applicable Law

The validity of this Agreement will be governed by the laws of the state where Confidant lives If any provision of this Agreement is void or unenforceable in that State the remainder of the Agreement will be fully enforceable according to its terms

CONFIDANT

Signature _____

Print Name _____

Signature _____

Print Name _____

Signature _____

Print Name _____

EXHIBIT F

ASSIGNMENT OF TELEPHONE NUMBERS AND SPECIAL POWER OF ATTORNEY

1 _____ [Franchisee's legal name] (You"), in return for valuable consideration, including Farmer Boys' signing of a franchise agreement with you at the same time that this assignment is signed, assign to Farmer Boys, all telephone numbers and listings you advertise, publicize, or otherwise make known to customers or the public in the operation of a FARMER BOYS® franchised Restaurant, both now and in the future, in _____

2 This assignment will automatically become effective immediately upon termination or expiration of your FARMER BOYS® franchise, and you agree to do whatever is necessary to cause the telephone company providing local service to the franchised restaurant to promptly transfer the telephone numbers and associated directory listings to Farmer Boys or its designee

3 You agree to pay the telephone company, on or before the date when the franchise is terminated or expires, all amounts you owe the telephone company in connection with the telephone numbers, including payment for any advertisements or listings in a classified telephone directory or directories You further agree to indemnify Farmer Boys for any money Farmer Boys must pay the telephone company before the telephone company will carry out this agreement

4 You appoint Farmer Boys as your attorney-in fact to sign any documents and do any things necessary to carry out this agreement if you fail to sign or do them within three (3) business days after termination or expiration of the franchise agreement You further agree to indemnify Farmer Boys for any expenses, including legal fees, that Farmer Boys incurs which would not have been incurred if you had performed as you promised under this agreement

Dated _____ **FRANCHISEE**

Signature _____

Print Name _____

EXHIBIT G
EXISTING RESTAURANTS EXCLUDED FROM COMPETITIVE ACTIVITIES

EXHIBIT H
PERSONAL GUARANTY AND SUBORDINATION AGREEMENT

The undersigned, to induce Farmer Boys Food, Inc ("Franchisor') to enter into or permit assignment of a certain FARMER BOYS® Franchise Agreement with _____ [franchisee's full legal name] ("Franchisee'), signed on the same date as the date of this Guaranty unconditionally, jointly and severally, personally guaranties to Franchisor, its successors, or its assignees the prompt full payment and performance of all obligations of Franchisee that are or may become due and owing to Franchisor, including but not limited to, all obligations arising out of the Franchise Agreement or any other agreement between the parties and all extensions or renewals of it in the same manner as if the Franchise Agreement was signed between Franchisor and the undersigned, as franchisee, directly

The undersigned expressly waives notice of the acceptance by Franchisor to or for the benefit of Franchisee, of the purchase of inventory and goods by Franchisee the maturing of bills and the failure to pay the same, the incurring by Franchisee of any additional future obligations and liability to Franchisor, and any other notices and demands This Personal Guaranty will not be affected by the modification, extension or renewal of any agreement between Franchisor and Franchisee, the taking of a note or other obligation from Franchisee or others, the taking of security for payment, the granting of an extension of time for payment, the filing by or against Franchisee of bankruptcy, insolvency, reorganization, or other debtor relief afforded Franchisee under the Federal Bankruptcy Act or any other state or federal statute or by the decision of any court or any other matter, whether similar or dissimilar to any of the foregoing, and this Personal Guaranty will cover the terms and obligations of any modifications, notes, security agreements, extensions, or renewals The obligations of the undersigned will be unconditional in spite of any defect in the validity of the Franchisee's obligations or liability to Franchisor or any other circumstances whether or not referred to in this Guaranty that might otherwise constitute a legal or equitable discharge of a surety or guarantor

This is an irrevocable, unconditional, and absolute guaranty of payment and performance and the undersigned agrees that the undersigned s liability under this guaranty will be immediate and will not be contingent upon the exercise or enforcement by Franchisor of whatever remedies it may have against the Franchisee or others, or the enforcement of any lien or realization upon any security Franchisor may at any time possess

The undersigned agrees that any current or future indebtedness by the Franchisee to the undersigned will always be subordinate to any indebtedness owed by Franchisee to Franchisor The undersigned will promptly modify any financing statements on file with state agencies to specify that Franchisor s rights are senior to those of Guarantor

The undersigned further agrees that as long as the Franchisee owes any money to Franchisor (other than royalty and marketing fund payments that are not past due), the Franchisee will not pay and the undersigned will not accept payment of any part of any indebtedness owed by Franchisee to any of the undersigned, either directly or indirectly, without the consent of Franchisor

In connection with any litigation or arbitration to determine the undersigned s liability under this Personal Guaranty, the undersigned expressly waives the right to trial by jury and agrees to pay costs and reasonable attorney fees as fixed by the court or arbitrator

If this Personal Guaranty is signed by more than one individual, each person signing this Personal Guaranty will be jointly and severally liable for the obligations created in it

This Personal Guaranty will remain in full force and effect until all obligations arising out of and under the Franchise Agreement, including all renewals and extensions, are fully paid and satisfied

IN WITNESS TO THE FOREGOING, the undersigned signed this guaranty on _____ [date]

[SIGNATURE PAGE FOLLOWS]

Signature _____

Print Name _____

Signature _____

Print Name _____

Signature _____

Print Name _____

EXHIBIT C-1
SBA Addendum to Franchise Agreement

ADDENDUM TO
FARMER BOYS
FRANCHISE AGREEMENT

This ADDENDUM TO FARMER BOYS FRANCHISE AGREEMENT (Addendum) is made and entered into on _____, 20____, by and between Farmer Boys Food, Inc , a California corporation (Franchisor), and _____, a _____ (Franchisee)

RECITALS Franchisor and Franchisee entered into a Franchise Agreement on _____, 20___ (Franchise Agreement) Franchisee agreed among other things to operate and maintain a franchise located at _____ designated by Franchisor as Unit #_____ (Unit) Franchisee has obtained from a lender a loan (Loan) in which funding is provided with the assistance of the United States Small Business Administration (SBA) The SBA requires the execution of this Addendum as a condition for obtaining SBA-assisted financing

NOW, THEREFORE, in consideration of the mutual promises below, and for good and valuable considerations in hand paid by each of the parties to the others, the receipt and sufficiency of which the parties acknowledge, the parties agree as follows

A The Franchise Agreement is in full force and effect, and Franchisor has sent no official notice of default to Franchisee under the Franchise Agreement that remains uncured as of the date hereof

B Section 13 2 of the Franchise Agreement provides that Franchisor (or any third party assignee of Franchisor) may elect pursuant to its right of first refusal to exercise said option when Franchisee decides to sell partial interest(s) in the business This section is hereby amended to reflect that Franchisor (or any third party assignee of Franchisor) will not exercise the option for any partial sale of Franchisee's business Franchisor (or any third party assignee of Franchisor) may not become a partial owner of any SBA-financed franchises

C If the Franchise Agreement is terminated and the Unit or its contents are to be sold under Section 15 1 of the Franchise Agreement, and the parties are unable to agree as to a purchase price and terms with respect to any property without a documented net book value, the fair market value of such property shall be determined by three appraisers chosen in the following manner Franchisee shall select one and Franchisor shall select one, and the two appraisers so chosen shall select a third appraiser The decision of the majority of the appraisers so chosen shall be conclusive The cost of the third appraiser shall be shared equally by the parties

D Notwithstanding anything to the contrary in Section 5 3 5 of the franchise agreement and the Addendum to Lease, neither the franchisor nor its affiliates will have the option to

purchase any real estate owned by the franchisee The franchisor, however, may lease the real estate for the remainder of the franchisee's term (excluding additional renewals) for fair market value

E The right of Franchisor to assume Franchisee's lease referenced in Sections 5 3 1 and 5 3 2 of the Franchise Agreement may not be recorded against the real estate Any recording done in contravention of this Addendum must be subordinated to any SBA-financed loan and may not include any attornment language

F This Addendum automatically terminates on the earliest to occur of the following (i) a termination occurs under the Franchise Agreement, (ii) the Loan is paid, or (iii) the SBA no longer has any interest in the Loan

IN WITNESS WHEREOF, the parties hereto have duly signed and executed this Addendum to Farmer Boys Franchise Agreement as of the day and year first above written

FRANCHISOR
FARMER BOYS FOOD, INC

By _____
Name _____
Title _____

FRANCHISEE

Date of Execution _____

_____,
[ ] an individual,
[ ] a _____ general partnership,
[ ] a _____ limited partnership,
[ ] a _____ limited liability company,
[ ] a _____ corporation

_____
Name _____
Its _____, and individually

EXHIBIT D
Area Development Agreement

FARMER BOYS®
AREA DEVELOPMENT AGREEMENT

BY AND BETWEEN

FARMER BOYS FOOD, INC

AND

_____

Table of Contents

		Page
ARTICLE 1 GRANT OF DEVELOPMENT RIGHTS		1
1 1	Certain Fundamental Definitions and Applicable Information	1
1 2	Grant of Development Rights	1
1 3	No Exclusivity	2
ARTICLE 2 FRANCHISEE'S DEVELOPMENT OBLIGATION		2
2 1	Development Obligation	2
2 2	Timing of Execution of Leases and Franchise Agreements	2
2 3	Force Majeure	2
2 4	Franchisee May Not Exceed The Development Obligation	3
ARTICLE 3 DEVELOPMENT AREA		3
3 1	Company's Right to Develop	3
3 2	Protected Territory for Each Individual Restaurant	3
ARTICLE 4 TERM OF AREA DEVELOPMENT AGREEMENT		3
4 1	Term	3
4 2	Limited Additional Development Right	3
4 3	Exercise of Right of Additional Development	4
4 4	Conditions to Exercise of Right of Additional Development	4
4 5	Effect of Expiration	4
ARTICLE 5 PAYMENTS BY FRANCHISEE		5
5 1	Initial Development Fee	5
5 2	Initial Franchise Fee	5
5 3	Royalty Fee	5
ARTICLE 6 EXECUTION OF INDIVIDUAL FRANCHISE AGREEMENTS		5
6 1	Site Review	5
6 2	Delivery of Franchise Disclosure Document, Execution of Lease and Franchise Agreement	5
6 3	Condition Precedent to Company's Obligations	6
ARTICLE 7 ASSIGNMENT AND SUBFRANCHISING		7
7 1	Assignment by Company	7
7 2	No Subfranchising by Franchisee	7
7 3	Assignment by Franchisee	8
ARTICLE 8 NON-COMPETITION		9
8 1	In Term	9
8 2	Post-Term	9
8 3	Modification	9
ARTICLE 9 TERMINATION		10
9 1	Termination Pursuant to a Default of this Agreement	10
ARTICLE 10 MEDIATION AND ARBITRATION		11
10 1	Mediation	11
10 2	Arbitration	11
ARTICLE 11 GENERAL CONDITIONS AND PROVISIONS		12
11 1	Relationship of Franchisee to Company	12
11 2	Indemnity by Franchisee	12
11 3	No Consequential Damages For Legal Incapacity	12
11 4	Waiver and Delay	13
11 5	Survival of Covenants	13
11 6	Successors and Assigns	13
11 7	Joint and Several Liability	13
11 8	Governing Law	13
11 9	Entire Agreement	13
11 10	Titles for Convenience	13
11 11	Gender and Construction	13

Table of Contents

		Page
11 12	Severability, Modification	14
11 13	Counterparts	14
11 14	Fees and Expenses	14
11 15	Notices	14
ARTICLE 12 SUBMISSION OF AGREEMENT		15
12 1	General	15
ARTICLE 13 ADDITIONAL COVENANTS		15
13 1	Entity Franchisee Information	15
13 2	Operating Principal Director of Operations	15
13 3	Survival	16
ARTICLE 14 ACKNOWLEDGMENT		16
14 1	General	16

FARMER BOYS®
AREA DEVELOPMENT AGREEMENT

THIS FARMER BOYS® **AREA DEVELOPMENT AGREEMENT** (the "**Agreement**") is made and entered into this ___ day of _____ 20____, (the '**Effective Date**) by and between Farmer Boys Food Inc a California corporation (the **Company**) and _____, a(n) _____ ("**Franchisee**") with reference to the following facts

A Company has the right to sublicense the FARMER BOYS® ' name and service mark, and such other trademarks trade names, service marks logotypes insignias trade dress and designs used in connection with the development, operation and maintenance of 'FARMER BOYS® Restaurant operated in accordance with Company's prescribed methods and business practices (the "**Restaurant** ')

B Company desires to expand and develop the Restaurants in the Development Area, and Franchisee wishes to develop Restaurant in the Development Area, upon the terms and conditions as set forth in this Agreement

NOW, THEREFORE, the parties agree as follows

ARTICLE 1
GRANT OF DEVELOPMENT RIGHTS

1 1 Certain Fundamental Definitions and Applicable Information In this Agreement in addition to those terms defined in Appendix 1 and elsewhere in this Agreement the following terms shall have the meanings set forth below, unless the context otherwise requires

"Franchisee Notice Address" is _____
_____
_____
Fax No _____

Initial Development Fee" means $_____ (See Section 5 1)

Operating Principal ' means _____, or such other individual hereafter designated by Franchisee, and accepted by Company (and until subsequently disapproved by Company), to serve as the authorized representative of Franchisee who Franchisee acknowledges and agrees shall act as Franchisee s representative and who shall have the authority to act on behalf of Franchisee during the Term

"**Royalty Rate**' means 5% (See Section 5 3)

1 2 Grant of Development Rights

1 2 1 Upon the terms and subject to the conditions of this Agreement, Company hereby grants to Franchisee, and Franchisee hereby accepts, the right and obligation, during the Term (defined below), to develop Traditional Restaurant (defined below) in the geographic area defined in Exhibit A which is attached hereto and by this reference made a part hereof (the "**Development Area**') An increase or decrease in the size of the cities, counties geographical areas or political subdivisions, if any, included within these boundaries shall have no effect on the Development Area as it is described in Exhibit A

1 2 2 No right or license is granted to Franchisee hereunder to use any trademarks trade names, service marks, logotypes, insignias, trade dress or designs owned by Company, such right and license being granted solely pursuant to Franchise Agreements executed pursuant hereto Without limiting the generality of the foregoing, nothing in this Agreement shall permit Franchisee to own or operate a Restaurant, except pursuant to duly executed and subsisting Franchise Agreement Franchisee shall not use such trademarks, trade names, service marks, logotypes,

insignias, trade dress or designs in any manner or for any purpose including in connection with any offering of securities or any request for credit without the prior express written approval of Company

1 3 No Exclusivity

1 3 1 Franchisee has requested that Company allow Franchisee ability to develop Restaurants in a wider geographic area than Company would normally allow and accordingly the parties have agreed that the Franchisee s Development Area shall be developed on a "non-exclusive ' basis Accordingly, no exclusivity or territorial protection is granted to Franchisee pursuant to this Agreement

1 3 2 The Development Area and the rights granted to Franchisee under this Agreement are non-exclusive (subject only to any territorial rights granted to Franchisee pursuant to any unit Franchise Agreement(s) between the parties) and without limiting the generality of the foregoing, Company expressly reserves all other rights, including the exclusive, unrestricted right, in its discretion, directly and indirectly, through its employees, Affiliates (defined below) representatives, licensees, assigns, agents and others (i) to own or operate, and to license others (which may include its Affiliates) to own or operate (i) FARMER BOYS® Restaurants at any location within or outside the Development Area and regardless of proximity to the Restaurant(s) developed under development or under consideration by Franchisee pursuant hereto, (ii) FARMER BOYS® Restaurants at Non-Traditional Venues at any location and of any type whatsoever, within or outside the Development Area, and regardless of proximity to the Restaurant(s) developed under development or under consideration by Franchisee pursuant hereto, and (iii) restaurants or other businesses operating under names other than FARMER BOYS®, at any location, and of any type whatsoever within or outside the Development Area and regardless of their proximity to the Restaurant(s) developed pursuant hereto, and (ii)to produce, license, distribute and market FARMER BOYS® Brand Products, including pre-packaged food items dressings and other food and beverage products, books, clothing souvenirs and novelty items through any outlet and channel of commerce (regardless of its proximity to the Restaurant(s) opened pursuant hereto), including grocery stores, supermarkets and convenience stores and through any distribution channel, at wholesale or retail, including by means of the Internet or Internet web site mail order catalogs direct mail advertising, delivery Catering and other distribution methods, and to advertise and promote the System through any means, including the Internet

ARTICLE 2
FRANCHISEE'S DEVELOPMENT OBLIGATION

2 1 Development Obligation

2 1 1 Within each Development Period specified in Exhibit B Franchisee shall construct, equip, open and thereafter continue to operate within the Development Area, not less than the cumulative number of Traditional Restaurants required by the Development Obligation for that Development Period

2 1 2 Restaurants developed hereunder which are open and operating and which have been assigned to Affiliates of Franchisee in accordance with Section 7 2 2 with Company s consent, shall count in determining whether Franchisee has satisfied the Development Obligation for so long as the applicable Affiliate continues to satisfy the conditions set forth in Section 7 2 2

2 2 Timing of Execution of Leases and Franchise Agreements Notwithstanding anything to the contrary contained herein, on or before the date which is 180 days before the end of each Development Period, Franchisee shall have executed (in accordance with this Agreement) a lease (or purchase agreement) and Franchise Agreement and paid the required Initial Franchise Fee, for each Restaurant which is required to be constructed equipped, opened and thereafter operated by the end of such Development Period

2 3 Force Majeure

2 3 1 Subject to Franchisee's continuing compliance with Section 2 3 2, should Franchisee be unable to meet the Development Obligation for any Development Period solely as the result of Force Majeure or any legal disability of Company to deliver a Franchise Disclosure Document pursuant to Section 6 2 of this Agreement, which results in the inability of Franchisee to construct or operate the Restaurants in all or substantially all of the Development

Area pursuant to the terms of this Agreement, the particular Development Period during which the event of Force Majeure (or Company's legal disability to deliver a Franchise Disclosure Document) occurs shall be extended by an amount of time equal to the time period during which the Force Majeure (or Company's legal disability to deliver a Franchise Disclosure Document) shall have existed during that Development Period Development Periods during which no such Force Majeure (or legal disability) existed shall not be extended Other than as a result of Force Majeure any delay in Company's issuance of acceptance of any site under Article 6, including, as a result of Franchisee s failure to satisfy the conditions set forth in Section 6 3 of this Agreement, shall not extend any Development Period

2 3 2 In the event of the occurrence of an event constituting Force Majeure, Franchisee shall notify Company in writing within 5 days following commencement of the alleged Force Majeure of the specific nature and extent of the Force Majeure, and how it has impacted Franchisee s performance hereunder Franchisee shall continue to provide Company with updates and all information as may be requested by Company, including Franchisee's progress and diligence in responding to and overcoming the Force Majeure

2 4 Franchisee May Not Exceed The Development Obligation Unless Company shall otherwise consent in writing, Franchisee may not construct, equip open and operate more than the total number of Restaurants s comprising the Development Obligation

ARTICLE 3
DEVELOPMENT AREA

3 1 Company's Right to Develop Notwithstanding Section 2 1 above, if during the Term of this Agreement Franchisee is unable or unwilling, or fails for any reason (except due to Force Majeure as provided in Section 2 3), to satisfy the Development Obligation, this Agreement shall automatically terminate upon notice by Company to Franchisee Upon such termination, Company may, but has no obligation to open and operate, or license others to (or grant others development rights to) open and operate Restaurants at any site(s) within or outside the Development Area, excluding sites in any 'Territory" granted to Franchisee pursuant to the individual Franchise Agreement for each then existing Restaurant located in the Development Area

3 2 Protected Territory for Each Individual Restaurant Subject to certain exclusions and conditions provided for in the Franchise Agreements, each such Franchise Agreement executed pursuant hereto shall provide that Company and its Affiliates may not open or operate, or franchise or license the operation of, any Traditional Restaurant within a defined Territory" comprised of a one-mile radius, or other mutually agreeable geographic area surrounding the Restaurant opened by Franchisee pursuant to such Franchise Agreement

ARTICLE 4
TERM OF AREA DEVELOPMENT AGREEMENT

4 1 Term The term of this Agreement shall commence on the Effective Date and, unless otherwise negotiated, terminated or extended as provided herein, shall continue until the earlier of (i) the 5th anniversary of the Effective Date, or (ii) the date of execution of the Franchise Agreement granting Franchisee the right to open the last Restaurant necessary for Franchisee to fully satisfy the Development Obligation (the **'Term"**)

4 2 Limited Additional Development Right If Franchisee shall determine that it desires to engage in further development of the Development Area in excess of the Development Obligation, Franchisee shall at the earlier of (i) 180 days prior to the scheduled expiration of the Term or (ii) the date on which acceptance of the proposed site for the last Restaurant required to meet the Development Obligation is issued, notify Company in writing (' **Additional Development Notice**) of Franchisee's desire to develop additional Restaurants in the Development Area and a plan for such development over a new term setting forth the number of proposed Restaurants and the deadlines for the development of each of them within such proposed term This right of additional development by Franchisee shall be exercised only in accordance with Section 4 3 and is subject to the conditions set forth in Section 4 4 This Agreement is not otherwise renewable

4 3 Exercise of Right of Additional Development

4 3 1 If Company determines the additional development obligation proposed by the Additional Development Notice is unacceptable in any respect(s), Company and Franchisee shall (subject to Section 4 4) negotiate during the following 60 days in an effort to reach a mutually agreeable additional development obligation Each party may negotiate to protect its own interests as it deems appropriate in its discretion

4 3 2 If the additional development obligation proposed by the Additional Development Notice is acceptable to Company, or if Company and Franchisee reach agreement on an alternative additional development obligation (the '**Additional Development Obligation**) within said 60 day period, then Company shall deliver to Franchisee a copy of Company's Then current Franchise Disclosure Document, if required by Applicable Law, and two copies of the Then-current area development agreement, which may vary substantially from this Agreement (but which unless otherwise expressly agreed by the parties, shall be on a "non-exclusive' basis, and with no exclusivity or territorial protection granted to Franchisee, as described in Section 1 3), setting forth the agreed upon Additional Development Obligation Within 30 days after Company's delivery of the said area development agreement, but no sooner than immediately after the expiration of any applicable waiting period(s) prescribed by Applicable Law Franchisee shall execute two copies of the area development agreement and return them to Company together with the applicable development fee if any, for the Restaurants required by the Additional Development Obligation If Franchisee has so executed and returned the copies and has satisfied the conditions set forth in Section 4 4, Company will execute the copies and return one fully executed copy to Franchisee

4 4 Conditions to Exercise of Right of Additional Development Franchisee's right to additional development described in Section 4 2 shall be subject to Franchisee's fulfillment of the following conditions precedent

4 4 1 Franchisee (and each of its Affiliates which have developed or operate Restaurants in the Development Area) shall have fully performed all of its obligations under this Agreement and all other agreements between Company and Franchisee (or the applicable Affiliate)

4 4 2 Franchisee shall have demonstrated to Company Franchisee s financial capacity to perform the Additional Development Obligations set forth in the area development agreement In determining if Franchisee is financially capable, Company will apply the same criteria to Franchisee as it applies to prospective area developer franchisees at that time

4 4 3 At the expiration of each Development Period and at the expiration of the Term, Franchisee shall have opened and shall thereafter have continued to operate, in the Development Area, not less than the aggregate number of Restaurants then required by the Development Obligation

4 4 4 Company and Franchisee shall have executed a new area development agreement pursuant to Section 4 3

4 4 5 Franchisee and all Affiliates of Franchisee who then have a currently effective franchise agreement or area development with Company shall have executed and delivered to Company a general release or a form prescribed by Company, of any and all known and unknown claims against Company or its Affiliates and their respective officers, directors, agents, shareholders and employees

4 5 Effect of Expiration Unless an Additional Development Obligation shall have been agreed upon, and a new area development agreement shall have been executed by the parties pursuant to Sections 4 2 and 4 3, following the expiration of the Term, or the sooner termination of this Agreement, (a) Franchisee shall have no further right to construct, equip own, open or operate additional Restaurants which are not at the time of such termination or expiration, the subject of a then existing Franchise Agreement between Franchisee (or an Affiliate of Franchisee) and Company which is then in full force and effect, and (b) Company or its Affiliates may thereafter itself construct, equip, open, own or operate, and license others to (or grant development rights to) construct, equip open, own or operate Restaurants at any location(s) (within or outside of the Development Area), without any restriction, subject only to any territorial rights granted for any then existing Restaurant pursuant to a validly subsisting Franchise Agreement executed for such Restaurant

ARTICLE 5
PAYMENTS BY FRANCHISEE

5 1 Initial Development Fee Concurrently with the execution of this Agreement, Franchisee shall pay to Company the Initial Development Fee in cash or by certified check (representing the sum of $12,500 for each of the Restaurants (excluding the first Restaurant) required to be opened during the Term pursuant to the Development Obligation, plus the sum of $45,000 representing the Initial Franchise Fee payable pursuant to the first Franchise Agreement required to be executed pursuant hereto)

5 2 Initial Franchise Fee Notwithstanding the terms of the Franchise Agreement executed for each Restaurant developed pursuant hereto Franchisee shall pay to Company in cash or by certified check, an initial franchise fee (**Initial Franchise Fee**") equal to $45,000 for the first, and $25 000 for each subsequent Restaurant to be opened pursuant hereto which Initial Franchise Fee shall be payable upon execution by Franchisee of each Franchise Agreement entered into pursuant to this Agreement provided, however, that Company shall credit such Initial Development Fee against the Initial Franchise Fees payable under the Franchise Agreements (at the rate of $45,000 for the first, and $12,500 for each subsequent Franchise Agreement, until exhausted)

5 3 Royalty Fee The Franchise Agreement executed for each Restaurant developed pursuant hereto, shall provide that the Continuing Royalty (as defined therein) shall be equal to 5% of Gross Sales (as defined therein)

ARTICLE 6
EXECUTION OF INDIVIDUAL FRANCHISE AGREEMENTS

6 1 Site Review

6 1 1 When Franchisee has located a proposed site for construction of a Restaurant, Franchisee shall submit to Company such demographic and other information regarding the proposed site and neighboring areas as Company shall require, in the form prescribed by Company ("**Site Review Request**") Company may seek such additional information as it deems necessary within 30 days of submission of Franchisee s Site Review Request, and Franchisee shall respond promptly to such request for additional information If Company shall not deliver written notice to Franchisee that Company accepts the proposed site within 30 days of receipt of Franchisee's Site Review Request, or within 30 days after receipt of such additional requested information, whichever is later, the site shall be deemed rejected If the Company accepts the proposed site it shall notify Franchisee of its acceptance of the site

6 1 2 Although Company may voluntarily (without obligation) assist Franchisee in locating an acceptable site for a Restaurant neither Company s said assistance if any, nor its acceptance of any proposed site, whether initially proposed Franchisee or by Company, shall be construed to insure or guarantee the profitable or successful operation of the Restaurant at that site by Franchisee and Company hereby expressly disclaims any responsibility therefor Franchisee acknowledges its sole responsibility for finding each site for the Restaurants it develops pursuant to this Agreement

6 2 Delivery of Franchise Disclosure Document, Execution of Lease and Franchise Agreement

6 2 1 Promptly following Franchisee's receipt of acceptance, Franchisee shall proceed to negotiate a lease or purchase agreement for the site and shall submit to Company a copy of the proposed lease or purchase agreement, as applicable Following Company s receipt of the proposed lease or purchase agreement, as applicable, which meets Company's requirements, Company shall notify Franchisee of its acceptance of the proposed lease or purchase agreement, as applicable

6 2 2 Company's review and acceptance of the lease is solely for Company's benefit and is solely an indication that the lease meets Company's minimum Standards and specification at the time of acceptance of the lease (which may be different that the requirements of this Agreement) Company s review and acceptance of the lease shall not be construed to be an endorsement of such lease, confirmation that such lease complies with Applicable Law, or confirmation that the terms of such lease are favorable to Franchisee, and Company hereby expressly disclaims any responsibility therefore

6 2 3 Subject to Section 6 3, after Company's acceptance of each proposed site, Company shall deliver to Franchisee a copy of Company's Then-current Franchise Disclosure Document, if, and as may be required by Applicable Law (the "**Franchise Disclosure Document**') and two copies of the Then-current Franchise Agreement Immediately upon receipt of the Franchise Disclosure Document, Franchisee shall return to Company a signed copy of the Acknowledgment of Receipt of the Franchise Disclosure Document Franchisee acknowledges that the new Franchise Agreement may vary substantially from the current Franchise Agreement If Company is not legally able to deliver a Franchise Disclosure Document to Franchisee by reason of any lapse or expiration of its franchise registration, or because Company is in the process of amending any such registration, or for any reason beyond Company's reasonable control, Company may delay acceptance of the site for Franchisee's proposed Restaurant or delivery of a Franchise Agreement, until such time as Company is legally able to deliver a Franchise Disclosure Document, and Company will not be liable to Franchisee for any consequential damages, including lost profits, interest expense, increased construction or occupancy costs, or other costs or expenses incurred by reason of any such delay except to the extent due to our gross negligence or intentional wrongdoing

6 2 4 Within 30 days after Franchisee's receipt of the Franchise Disclosure Document and the Then-current Franchise Agreement, but no sooner than immediately after any applicable waiting periods prescribed by Applicable Law have passed, Franchisee shall execute two copies of the Franchise Agreement described in the Franchise Disclosure Document and return them to Company together with the applicable Initial Franchise Fee (less the applicable credit, if any, to which Franchisee is entitled pursuant to Section 5 2) If Franchisee has so executed and returned the copies and Initial Franchise Fee and has satisfied the conditions set forth in Section 6 3, Company shall execute the copies and return one fully executed copy of such Franchise Agreement to Franchisee

6 2 5 Franchisee shall not execute any lease or purchase agreement for any Restaurant, until Company has accepted the proposed site and Company has delivered to Franchisee a fully executed Franchise Agreement counter-signed by Company pursuant to Sections 6 2 4 After Company s acceptance of the site and lease (or purchase agreement, if applicable), and its delivery to Franchisee of the fully executed Franchise Agreement, Franchisee shall then procure the site pursuant to the purchase agreement or lease which has been reviewed and accepted by Company, and shall forward to Company, within ten (10) days after its execution, one copy of the executed lease or, if purchased, the deed evidencing Franchisee s right to occupy the site Franchisee shall then commence construction and operation of the Restaurant pursuant to the terms of the applicable Franchise Agreement

6 3 Condition Precedent to Company's Obligations It shall be a condition precedent to Company s obligations pursuant to Sections 6 1 and 6 2, and to Franchisee's right to develop each and every Restaurant, that Franchisee shall have satisfied all of the following conditions precedent prior to Company's acceptance of the proposed Restaurant and the site and lease or purchase agreement therefor, and the Company's execution of the Franchise Agreement therefor

6 3 1 Franchisee (and each of its Affiliates which have developed or operate Restaurants in the Development Area) shall have fully performed all of its obligations under this Agreement and all Franchise Agreements and other written agreements between Company and Franchisee (or any such Affiliate of Franchisee) and must not at any time following Franchisee s submission of its Site Review Request, and until Company grants its acceptance of the proposed site, be in default of any of its contractual or other legal obligations to Company or any of its Affiliates or any approved vendor or supplier, or to any federal, state, county or municipal agency

6 3 2 Franchisee shall have demonstrated to Company, in Company's discretion, Franchisee s financial and other capacity to perform the obligations set forth in the proposed new Franchise Agreement including Franchisee's submission of a comprehensive management plan acceptable to, and accepted by Company, which shall include among other reasonable requirements as may be established by Company an organization chart and supervisory requirements for the proposed Restaurant In determining if Franchisee is financially or otherwise capable, Company shall apply the same criteria to Franchisee as it applies to prospective area developer franchisees at that time

6 3 3 Franchisee shall continue to operate, in the Development Area, not less than the cumulative number of Traditional Restaurants required by the Development Obligation set forth in Exhibit B to be in operation as of the end of the immediately preceding Development Period

6 3 4 Franchisee, and each of its Affiliates who then has a currently effective Franchise Agreement or area development agreement with Company, must sign a general release of any claims they may have against Company and its Affiliates, on a form prescribed by Company

ARTICLE 7
ASSIGNMENT AND SUBFRANCHISING

7 1 Assignment by Company This Agreement is fully transferable by Company, in whole or in part, without the consent of Franchisee and shall inure to the benefit of any transferee or their legal successor to Company s interests herein, provided, however, that such transferee and successor shall expressly agree to assume Company's obligations under this Agreement Without limiting the foregoing, Company may (i) assign any or all of its rights and obligations under this Agreement to an Affiliate, (ii) sell its assets its marks, or its System outright to a third party (iii) engage in a public offering of its securities, (iv) engage in a private placement of some or all of its securities (v) merge, acquire other corporations, or be acquired by another corporation, or (vi) undertake a refinancing, recapitalization, leveraged buy-out or other economic or financial restructuring Company shall be permitted to perform such actions without liability or obligation to Franchisee who expressly and specifically waives any claims, demands or damages arising from or related to any or all of the above actions (or variations thereof) In connection with any of the foregoing, at Company s request Franchisee shall deliver to Company a statement in writing certifying (a) that this Agreement is unmodified and in full force and effect (or if there have been modifications that the Agreement as modified is in full force and effect and identifying the modifications), (b) that Franchisee is not in default under any provision of this Agreement, or if in default, describing the nature thereof in detail, and (c) as to such other matters as Company may reasonably request, and Franchisee agrees that any such statements may be relied upon by Company and any prospective purchaser assignee or lender of Company

7 2 No Subfranchising by Franchisee

7 2 1 Franchisee shall not offer, sell, or negotiate the sale of FARMER BOYS® ' franchises to any third party, either in Franchisee's own name or in the name and/or on behalf of Company, or otherwise subfranchise, subcontract, sublicense share, divide or partition this Agreement, and nothing in this Agreement will be construed as granting Franchisee the right to do so Franchisee shall not execute any Franchise Agreement with Company or construct or equip any Restaurant with a view to offering or assigning such Franchise Agreement or Restaurant to any third party

7 2 2 Notwithstanding Section 7 2 1, Franchisee may, with Company's prior written consent, execute and contemporaneously assign a Franchise Agreement executed pursuant hereto to a separate Entity controlled by Franchisee (each a **Subsidiary**'), provided and on condition that

(a) Upon Company s request, Franchisee has delivered to Company a true, correct and complete copy of the Subsidiary's articles of incorporation or articles of organization bylaws, operating agreement, partnership agreement and other organizational documents, and Company has accepted the same

(b) The Subsidiary's articles of incorporation or articles of organization bylaws, operating agreement, and partnership agreement, as applicable, shall provide that its activities are confined exclusively to operating Restaurants ,

(c) Franchisee, directly owns and controls not less than 100% of the Equity and voting rights of the Subsidiary,

(d) the Subsidiary is in good standing in its jurisdiction of organization and each other jurisdiction where the conduct of its business or the operation of its properties requires it to be so qualified,

(e) the person designated by Franchisee as the Operating Principal has exclusive day-to-day operational control over the Subsidiary,

(f) the Subsidiary conducts no business other than the operation of the Restaurant,

(g) the Subsidiary assumes all of the obligations under the Franchise Agreement as franchisee pursuant to written agreement, the form and substance of which shall be acceptable to Company,

(h) each person or Entity comprising Franchisee, and all present and future Owners of 10% or more (directly or indirectly) in the aggregate, of the Equity or voting rights of any franchisee under any and all Franchise Agreements executed pursuant to this Agreement shall execute a written guaranty in a form prescribed by Company, personally irrevocably and unconditionally guaranteeing, jointly and severally, with all other guarantors, the full payment and performance of all of the obligations to Company and to Company's Affiliates under this Agreement and each Franchise Agreement executed pursuant hereto (for purposes of determining whether said 10% threshold is satisfied, holdings of spouses family members who live in the same household, and Affiliates shall be aggregated),

(i) none of the Owners of the Equity of the franchisee under the applicable Franchise Agreement is engaged in Competitive Activities,

(j) at Company's request, Franchisee shall, and shall cause each of its Affiliates to execute and deliver to Company a general release, on a form prescribed by Company of any and all known and unknown claims against Company and its Affiliates and their officers, directors agents, shareholders and employees and

(k) Franchisee shall reimburse Company for all direct and indirect costs and expense it may incur in connection with the transfer and assignment, including attorney s fees

7 2 3 In the event that Franchisee exercises its rights under Section 7 2 2 then Franchisee and such Subsidiary shall, in addition to any other covenants contained in the applicable Franchise Agreement, affirmatively covenant to continue to satisfy each of the conditions set forth in Section 7 2 2 throughout the term of such Franchise Agreement

7 3 Assignment by Franchisee

7 3 1 This Agreement has been entered into by Company in reliance upon and in consideration of the singular personal skill, qualifications and trust and confidence reposed in Franchisee Neither Franchisee nor any Owner shall cause or permit any Assignment unless Franchisee shall have obtained Company s prior written consent, which consent may be withheld for any reason whatsoever in Company's judgment, and shall comply with Company's right of first refusal pursuant to Section 7 3 4 In addition to any administrative/transfer fee payable pursuant to any Franchise Agreement(s), Franchisee shall pay Company a non-refundable transfer fee equal to $1,000 upon Franchisee's submission of each request for Company's consent to an Assignment and $5,000 before the closing of such Assignment Except as provided in Section 7 2 2, Franchisee acknowledges and agrees that it will not be permitted to make an Assignment of this Agreement or sell, gift, convey, assign or transfer the assets used in any of the Restaurants developed hereunder or any Franchise Agreement executed pursuant to this Agreement except in conjunction with a concurrent Assignment to the same approved assignee of all of the assets used in all of said Restaurants , and all of the Franchise Agreements executed pursuant to this Agreement or at Company s election the execution by the assignee of new Franchise Agreements on Company's Then-current form for each of the Restaurants then developed or under development by Franchisee, and otherwise in accordance with the terms and conditions of Franchisee's Franchise Agreement(s) If Franchisee is an Entity, Franchisee shall promptly provide Company with written notice (stating such information as Company may from time to time require) of each and every transfer, assignment, encumbrance, gift and other conveyance, voluntarily or involuntarily, in whole or in part, by operation of Applicable Law or otherwise by any Owner of any direct or indirect Equity or voting rights in Franchisee, notwithstanding that the same may not constitute an "Assignment as defined by this Agreement

7 3 2 Franchisee shall not directly or indirectly, pledge encumber, hypothecate or otherwise grant any third party a security interest in this Agreement in any manner whatsoever without the prior express written consent of Company To the extent that the foregoing prohibition may be ineffective under Applicable Law Franchisee shall provide not less than 10 days prior written notice (which notice shall contain the name and address of the secured party and the terms of such pledge, encumbrance, hypothecation or security interest) of any pledge encumbrance hypothecation or security interest in this Agreement

7 3 3 Securities, partnership or other ownership interests in Franchisee may not be offered to the public under the Securities Act of 1933, as amended, nor may they be registered under the Securities Exchange Act of 1934, as amended, or any comparable federal, state or foreign law, rule or regulation Such interests may be offered by private offering or otherwise only with the prior written consent of Company which consent shall not be unreasonably withheld All materials required for any such private offering by federal or state law shall be submitted to Company for a limited review as discussed below prior to being filed with any governmental agency, and any materials to be used in any exempt offering shall be submitted to Company for such review prior to their use No such offering by Franchisee shall imply that Company is participating in an underwriting, issuance or offering of securities of Franchisee or Company and Company's review of any offering materials shall be limited solely to the subject of the relationship between Franchise and Company and its Affiliates Company may, at its option, require Franchisee's offering materials to contain a written statement prescribed by Company concerning the limitations described in the preceding sentence Franchisee its Owners and the other participants in the offering must fully defend and indemnify Company, and its Affiliates, their respective partners and the officers, directors, manager(s) (if a limited liability company) shareholders members, partners, agents, representatives, independent contractors, servants and employees of each of them, from and against any and all losses, costs and liability in connection with the offering and shall execute any additional documentation required by Company to further evidence this indemnity For each proposed offering, Franchisee shall pay to Company a non-refundable fee of $10 000, which shall be in addition to any transfer fee under any Franchise Agreement or such greater amount as is necessary to reimburse Company for its reasonable costs and expenses associated with reviewing the proposed offering, including without limitation, legal and accounting fees Franchisee shall give Company written notice at least thirty (30) days prior to the date of commencement of any offering or other transaction covered by this Section

7 3 4 Franchisee's written request for consent to any Assignment must be accompanied by an offer to Company of a right of first refusal to purchase the interest which is proposed to be transferred, on the same terms and conditions offered by the third party, provided that Company may substitute cash for any non-cash consideration proposed to be given by such third party (in an amount determined by Company reasonably and in good faith as the approximate equivalent value of said non-cash consideration), and provided further that Franchisee shall make representations and warranties to Company customary for transactions of the type proposed (the **ROFR**) If Company elects to exercise the ROFR, Company or its nominee, as applicable, shall send written notice of such election to Franchisee within 60 days of receipt of Franchisee's request If Company accepts such offer the closing of the transaction shall occur within 60 days following the date of Company's acceptance Any material change in the terms of an offer prior to closing or the failure to close the transaction within 60 days following the written notice provided by Franchisee (the "**ROFR Period**') shall cause it to be deemed a new offer subject to the same right of first refusal by Company, or its third-party designee, as in the case of the initial offer Company's failure to exercise such right of first refusal shall not constitute consent to the transfer or a waiver of any other provision of this Agreement, including any of the requirements of this Article with respect to the proposed transfer

ARTICLE 8
NON-COMPETITION

8 1 In Term During the Term, no Restricted Person shall in any capacity, either directly or indirectly, through one or more Affiliates or otherwise, engage in any Competitive Activities at any location whether within or outside the Development Area, unless Company shall consent thereto in writing

8 2 Post-Term To the extent permitted by Applicable Law upon (i) the expiration or termination of this Agreement (ii) the occurrence of any Assignment or (iii) the cession of any Restricted Person's relationship with Franchisee each person who was a Restricted Person before such event shall not for a period of 24 months thereafter, either directly or indirectly, own operate, advise, be employed by, or have any financial interest in any business engaged in Competitive Activities within the Development Area, without the Company s prior written consent In applying for such consent, Franchisee will have the burden of establishing that any such activity by it will not involve the use of benefits provided under this Agreement or constitute unfair competition with Company or other franchisees of the Company

8 3 Modification

8 3 1 The parties have attempted in Sections 8 1 and 8 2 above to limit the Franchisee's right to compete only to the extent necessary to protect the Company from unfair competition The parties hereby expressly agree that if the scope or enforceability of Section 8 1 or 8 2 is disputed at any time by Franchisee, a court or arbitrator as the case may be may modify either or both of such provisions to the extent that it deems necessary to make such provision(s) enforceable under Applicable Law In addition, Company reserves the right to reduce the scope of either, or both, of said provisions without Franchisee s consent at any time or times, effective immediately upon notice to Franchisee

8 3 2 In view of the importance of the ' FARMER BOYS® " trademarks and the incalculable and irreparable harm that would result to the parties in the event of a Default under this Article 8, the parties agree that each party may seek specific performance and/or injunctive relief to enforce the covenants and agreements in this Agreement, in addition to any other relief to which such party may be entitled at law or in equity Each party submits to the exclusive jurisdiction of the courts of the State of California and the U S federal courts sitting in Riverside for purposes thereof The parties agree that venue for any such proceeding shall be the state and federal courts located in Riverside

ARTICLE 9
TERMINATION

9 1 Termination Pursuant to a Default of this Agreement

9 1 1 Subject to Applicable Law to the contrary this Agreement may be terminated by Company in the event of any Default by Franchisee of this Agreement, unless such Default is cured by Franchisee within 5 days following written notice of the Default (in the case of a failure to pay money), or 10 days following written notice of the Default (in the case of any other Default), provided that in the case of a Default by Franchisee (or its Affiliate) under any Franchise Agreement or other written agreement, the notice and cure provisions of the Franchise Agreement or other agreement shall control, and provided, further, however, that any Default described in Sections 9 1 2(a), (b) or (e) below shall be deemed incurable

9 1 2 The term default ', as used herein includes the following

(a) Any Assignment or attempted Assignment in violation of the terms of Section 7 2 or 7 3 of this Agreement, or without the written consents required pursuant to this Agreement, provided, however, (i) upon prompt written request to Company following the death or legal incapacity of a Franchisee who is an individual, Company shall allow a period of up to 60 days after such death or legal incapacity for his or her heirs, personal representatives, or conservators (the ' **Heirs**") to seek and obtain Company's consent to the Assignment his or her rights and interests in this Agreement to the Heirs or to another person acceptable to Company, or (ii) upon prompt written request to Company following the death or legal incapacity of an Owner of a Franchisee which is an Entity directly or indirectly, owning more than 20% or more of the Equity or voting power of Franchisee, Company shall allow a period of up to 60 days after such death or legal incapacity for his or her Heir(s) to seek and obtain Company s consent to the Assignment of such Equity and voting power to the Heir(s) or to another person or persons acceptable to Company If, within said 60 day period, said Heir(s) fail to receive Company's consent as aforesaid or to effect such consented to Assignment, then this Agreement shall immediately terminate at Company's election

(b) Subject to Section 2 3 of this Agreement, failure, without notice or opportunity to cure, of Franchisee to satisfy the Development Obligation within the Development Periods set forth herein

(c) Failure of Franchisee (or any Affiliate of Franchisee) to pay any Initial Franchise Fee or Royalty Fee in a timely manner as required by this Agreement or any Franchise Agreement signed by Franchisee

(d) Franchisee's opening of any Restaurant in the Development Area except in strict accordance with the procedures set forth in Sections 6 1 through 6 3 of this Agreement

(e) Failure, without notice or opportunity to cure, of Franchisee to fully comply with the requirements of Section 8 1 of this Agreement

(f) Any Default of any other agreement between Franchisee (or any Affiliate of Franchisee) and Company (or any Affiliate of Company) including any Franchise Agreement executed pursuant hereto

ARTICLE 10
MEDIATION AND ARBITRATION

10 1 Mediation Except to the extent precluded by Applicable law, the parties hereby pledge and agree that prior to filing any lawsuit (other than suits to seek provisional remedies including injunctions) they shall first attempt to resolve any dispute between the parties pursuant to mediation conducted in accordance with the Commercial Mediation Rules of the American Arbitration Association (' **AAA** ')unless the parties agree on alternative rules and a mediator within 15 days after either party first gives notice of mediation Such mediation shall be conducted in Riverside, California and shall be conducted and completed within 45 days following the date either party first gives notice of mediation If the parties fail to complete the mediation within such 45 day period either party may initiate litigation The fees and expenses of the mediator shall be shared equally by the parties The mediator shall be disqualified as a witness, expert or counsel for any party with respect to any suit and any related matter Mediation is a compromise negotiation and shall constitute privileged communications under California and other Applicable Laws The entire mediation process shall be confidential and the conduct, statements, promises, offers, views and opinions of the mediator and the parties shall not be discoverable or admissible in any legal proceeding for any purpose provided, however, that evidence which is otherwise discoverable or admissible shall not be excluded from discovery or admission as a result of its use in the mediation

10 2 Arbitration Except as precluded by Applicable Law, any controversy or claim between Company and Franchisee arising out of or relating to this Agreement or any alleged breach hereof and any issues pertaining to the arbitrability of such controversy or claim and any claim that this Agreement or any part hereof is invalid, illegal, or otherwise voidable or void, shall be submitted to binding arbitration Said arbitration shall be conducted before and will be heard by one arbitrator in accordance with the then-current commercial arbitration rules of the AAA Judgment upon any award rendered may be entered in any Court having jurisdiction thereof Except to the extent prohibited by Applicable Law the proceedings shall be held in the City of Riverside, State of California All arbitration proceedings and claims shall be filed and prosecuted separately and individually in the name of Franchisee and Company and not in any class action or representative capacity, and shall not be joined with or consolidated with claims asserted by or against any other franchisee The arbitrator shall have no power or authority to grant punitive or exemplary damages as part of its award In no event may the material provisions of this Agreement including, but not limited to the method of operation authorized product line sold or monetary obligations specified in this Agreement, amendments to this Agreement or in the Manuals be modified or changed by the arbitrator at any arbitration hearing The substantive law applied in such arbitration shall be as provided in Section 11 8 of this Agreement The arbitration and the parties' agreement therefor shall be deemed to be self-executing and if either party fails to appear at any properly noticed arbitration proceeding an award may be entered against such party despite said failure to appear All issues relating to arbitrability or the enforcement of the agreement to arbitrate contained herein shall be governed by the Federal Arbitration Act (9 U S C § 1 et seq), notwithstanding any provision of this Agreement specifying the state law under which this Agreement shall be governed and construed

10 2 1 Awards The arbitrator will have the right to award or include in his award any relief which he or she deems proper in the circumstances, including money damages (with interest on unpaid amounts from the date due), specific performance injunctive relief and attorneys' fees and costs, in accordance with Section 11 2 of this Agreement, provided that the arbitrator will not have the authority to award exemplary or punitive damages The award and decision of the arbitrator will be conclusive and binding upon all parties and judgment upon 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 shall be bound by the provisions of any limitation on the period of time by which claims must be brought The parties agree that, in connection with any such arbitration proceeding each will submit or file any claim which would constitute a compulsory counter-claim (as defined by Rule 13 of the Federal Rules of Civil Procedure) within the same proceedings as the claim to which it relates Any such claim which is not submitted or filed in such proceeding will be barred

10 2 2 Permissible Parties Franchisee and company agree that arbitration will be conducted on an individual, not a class wide, basis and that any arbitration proceeding between Franchisee and company will not be consolidated with any other arbitration proceeding involving company and any other person or entity

10 2 3 Injunctive Relief Notwithstanding anything to the contrary contained in Section 10 2, Company and Franchisee will each have the right in a proper case to obtain specific performance, temporary restraining orders and temporary or preliminary injunctive relief from a court of competent jurisdiction and other provisional relief including but not limited to enforcement of liens, security agreements, or attachment as Company deems to be necessary or appropriate to compel Franchisee to comply with Franchisee s obligations to the Company and/or to protect the Marks of the Company, or any claim or dispute involving or contesting the validity of any of the Marks However, the parties will contemporaneously submit their dispute for arbitration on the merits Franchisee agrees that Company may have temporary or preliminary injunctive relief without bond, but upon due notice, and Franchisee s sole remedy in the event of the entry of such injunctive relief will be the dissolution of the injunctive relief, if warranted upon hearing duly had (all claims for damages by reason of the wrongful issuance of any the injunction being expressly waived)

10 2 4 Survival The provisions of this Article 10 will continue in full force and effect subsequent to and notwithstanding the expiration or termination of this Agreement

10 2 5 Waiver of Jury Trial, Venue

TO THE EXTENT PERMITTED BY APPLICABLE LAW, THE PARTIES (1) HEREBY WAIVE THEIR RIGHT TO TRIAL BY JURY WITH RESPECT TO ANY DISPUTE ARISING UNDER THIS AGREEMENT, AND (2) THEY AGREE THAT RIVERSIDE, CALIFORNIA SHALL BE THE VENUE FOR ANY LITIGATION ARISING UNDER THIS AGREEMENT THE PARTIES ACKNOWLEDGE THAT THEY HAVE REVIEWED THIS SECTION AND HAVE HAD THE OPPORTUNITY TO SEEK INDEPENDENT LEGAL ADVISE AS TO ITS MEANING AND EFFECT

FRANCHISEE INITIALS	COMPANY INITIALS

ARTICLE 11
GENERAL CONDITIONS AND PROVISIONS

11 1 Relationship of Franchisee to Company It is expressly agreed that the parties intend by this Agreement to establish between Company and Franchisee the relationship of franchisor and area developer franchisee It is further agreed that Franchisee has no authority to create or assume in Company s name or on behalf of Company, any obligation, express or implied, or to act or purport to act as agent or representative on behalf of Company for any purpose whatsoever Neither Company nor Franchisee is the employer, employee, agent, partner or co-venturer of or with the other each being independent Franchisee agrees that it will not hold itself out as the agent, employee partner or co-venturer of Company All employees hired by or working for Franchisee shall be the employees of Franchisee and shall not, for any purpose be deemed employees of Company or subject to Company control Each of the parties agrees to file its own tax, regulatory and payroll reports with respect to its respective employees and operations, saving and indemnifying the other party hereto of and from any liability of any nature whatsoever by virtue thereof

11 2 Indemnity by Franchisee Franchisee hereby agrees to protect, defend and indemnify Company, and all of its past, present and future Owners, Affiliates, officers, directors, employees, attorneys and designees and hold them harmless from and against any and all costs and expenses including attorneys' fees, court costs, losses, liabilities, damages, claims and demands of every kind or nature on account of any actual or alleged loss injury or damage to any person, firm or corporation or to any property arising out of or in connection with Franchisee's construction, development or operation of Restaurants pursuant hereto except to the extent caused by intentional acts of the Company in breach of this Agreement The terms of this Section 11 2 shall survive the termination expiration or cancellation of this Agreement

11 3 No Consequential Damages For Legal Incapacity Company shall not be liable to Franchisee for any consequential damages, including lost profits, interest expense increased construction or occupancy costs, or other costs and expenses incurred by Franchisee by reason of any delay in the delivery of Company's Franchise Disclosure Document caused by legal incapacity during the Term, or other conduct not due to the gross negligence or intentional misfeasance of Company

11 4 Waiver and Delay No waiver by Company of any Default or Defaults, or series of Defaults in performance by Franchisee, and no failure, refusal or neglect of Company to exercise any right, power or option given to it hereunder or under any Franchise Agreement or other agreement between Company and Franchisee, whether entered into before, after or contemporaneously with the execution hereof (and whether or not related to the Restaurants), or to insist upon strict compliance with or performance of Franchisee s (or its Affiliates) obligations under this Agreement or any Franchise Agreement or other agreement between Company and Franchisee (or its Affiliates), whether entered into before, after or contemporaneously with the execution hereof (and whether or not related to the Restaurants), shall constitute a waiver of the provisions of this Agreement with respect to any continuing or subsequent Default or a waiver by Company of its right at any time thereafter to require exact and strict compliance with the provisions thereof

11 5 Survival of Covenants The covenants contained in this Agreement which by their nature or terms, require performance by the parties after the expiration or termination of this Agreement shall be enforceable notwithstanding said expiration or other termination of this Agreement for any reason whatsoever

11 6 Successors and Assigns This Agreement shall be binding upon and inure to the benefit of the successors and assigns of Company and shall be binding upon and inure to the benefit of Franchisee and his or their respective, heirs, executors, administrators and its successors and assigns, subject to the prohibitions and restrictions against Assignment contained herein

11 7 Joint and Several Liability If Franchisee consists of more than one person or Entity or a combination thereof, the obligations and liabilities of each of such person or Entity to Company are joint and several, and such person(s) or Entities shall be deemed to be general partnership

11 8 Governing Law This Agreement shall be governed by and construed in accordance with the laws of the State of California (without giving effect to any conflict of laws), except that (a) the provisions of Sections 8 1 and 8 2 (and to the extent applicable, Section 8 3) shall be governed in accordance with the laws of the State where the Default of said section occurs, (b) any state law relating to (1) the offer and sale of franchises, (2) franchise relationships, or (3) business opportunities, will not apply unless the applicable jurisdictional requirements are met independently with reference to this paragraph, (c) Section 10 2 (arbitration) is exclusively governed by and shall be construed in accordance with the Federal Arbitration Act, and (d) trademark rights will be governed by and construed in accordance with the Lanham Act

11 9 Entire Agreement This Agreement and the Exhibits incorporated herein contain all of the terms and conditions agreed upon by the parties hereto concerning the subject matter hereof No other agreements concerning the subject matter hereof, written or oral, shall be deemed to exist or to bind any of the parties hereto and all prior agreements, understandings and representations, are merged herein and superseded hereby Franchisee represents that there are no contemporaneous agreements or understandings between the parties relating to the subject matter of this Agreement that are not contained herein No officer or employee or agent of Company has any authority to make any representation or promise not included in this Agreement or any Franchise Disclosure Document for prospective franchisees required by Applicable Law, and Franchisee agrees that it has executed this Agreement without reliance upon any such representation or promise This Agreement cannot be modified or changed except by written instrument signed by all of the parties hereto

11 10 Titles for Convenience Article and paragraph titles used this Agreement are for convenience only and shall not be deemed to affect the meaning or construction of any of the terms provisions, covenants, or conditions of this Agreement

11 11 Gender and Construction The terms of all Exhibits hereto are hereby incorporated into and made a part of this Agreement as if the same had been set forth in full herein All terms used in any one number or gender shall extend to mean and include any other number and gender as the facts, context, or sense of this Agreement or any article or Section hereof may require As used in this Agreement, the words include," 'includes ' or including are used in a non-exclusive sense Unless otherwise expressly provided herein to the contrary, any consent, approval, acceptance or authorization of Company which Franchisee may be required to obtain hereunder may be given or withheld by Company in its sole discretion, and on any occasion where Company is required or permitted hereunder to make any judgment determination or use its discretion, including any decision as to whether any condition or circumstance meets Company s

Standards or satisfaction, Company may do so in its sole subjective judgment and discretion No provision herein expressly identifying any particular breach of this Agreement as material shall be construed to imply that any other breach which is not so identified is not material Neither this Agreement nor any uncertainty or ambiguity herein shall be construed or resolved against the drafter hereof, whether under any rule of construction or otherwise On the contrary, this Agreement has been reviewed by all parties and shall be construed and interpreted according to the ordinary meaning of the words used so as to fairly accomplish the purposes and intentions of all parties hereto Company and Franchisee intend that if any provision of this Agreement is susceptible to two or more constructions, one of which would render the provision enforceable and the other or others of which would render the provision unenforceable, then the provision shall be given the meaning that renders it enforceable

11 12 Severability, Modification Nothing contained in this Agreement shall be construed as requiring the commission of any act contrary to Applicable Law Whenever there is any conflict between any provisions of this Agreement and any present or future statute, law, ordinance or regulation contrary to which the parties have no legal right to contract, the latter shall prevail but in such event the provisions of this Agreement thus affected shall be curtailed and limited only to the extent necessary to bring it within the requirements of the law In the event that any part article, paragraph, sentence or clause of this Agreement shall be held to be indefinite, invalid or otherwise unenforceable, the indefinite, invalid or unenforceable provision shall be deemed deleted, and the remaining part of this Agreement shall continue in full force and effect

11 13 Counterparts This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original and all of which together shall be deemed to be one and the same instrument

11 14 Fees and Expenses If any party to this Agreement shall bring any arbitration action or proceeding for any relief against the other, declaratory or otherwise, arising out of this Agreement, the losing party shall pay to the prevailing party a reasonable sum for attorney fees and costs incurred in bringing or defending such arbitration action or proceeding and/or enforcing any judgment granted therein all of which shall be deemed to have accrued upon the commencement of such arbitration, action or proceeding and shall be paid whether or not such action or proceedings is prosecuted to final judgment Any judgment or order entered in such action or proceeding shall contain a specific provision providing for the recovery of attorney fees and costs, separate from the judgment, incurred in enforcing such judgment The prevailing party shall be determined by the trier of fact based upon an assessment of which party's major arguments or positions on major disputed issues For the purposes of this Section, attorney fees shall include fees incurred in the following (1) post-judgment motions, (2) contempt proceedings, (3) garnishment levy, debtor and third party examinations (4) discovery and (5) bankruptcy litigation This Section is intended to be expressly severable from the other provisions of this Agreement, is intended to survive any judgment and is not to be deemed merged into the judgment

11 15 Notices Except as otherwise expressly provided herein all written notices and reports permitted or required to be delivered by the parties pursuant hereto shall be deemed so delivered at the time delivered by hand, one business day after electronically confirmed transmission by facsimile or other electronic system, one business day after delivery by Express Mail or other recognized, reputable overnight courier or 3 business days after placement in the United States Mail by Registered or Certified Mail, Return Receipt Requested, postage prepaid and addressed as follows

If to Company

Farmer Boys Food Inc
3452 University Avenue
Riverside, CA 92501
Telephone (951) 275 9900
Fax (951) 275-9930

With copy (which shall not constitute notice) to

Kenneth R Costello, Esq
Bryan Cave LLP
120 Broadway, Suite 300
Santa Monica, CA 90401-2386
Facsimile No (310) 576 2200

If to Franchisee See Section 1 1

or to such other address as such party may designate by 10 days' advance written notice to the other party

ARTICLE 12
SUBMISSION OF AGREEMENT

12 1 General The submission of this Agreement does not constitute an offer and this Agreement shall become effective only upon the execution thereof by Company and Franchisee

ARTICLE 13
ADDITIONAL COVENANTS

13 1 Entity Franchisee Information If Franchisee is an Entity, Franchisee represents and warrants that the information set forth in Exhibit C which is annexed hereto and by this reference made a part hereof, is accurate and complete in all material respects Franchisee shall notify Company in writing within 10 days of any change in the information set forth in Exhibit C, and shall submit to Company a revised Exhibit C, which shall be certified by Franchisee as true, correct and complete and upon acceptance thereof by Company shall be annexed to this Agreement as Exhibit C Franchisee promptly shall provide such additional information as Company may from time to time request concerning all persons who may have any direct or indirect financial interest in Franchisee, including providing copies of all amendments to Franchisee's "**Entity Documents**" as defined in Exhibit C Franchisee shall conduct no business other than the business contemplated hereunder and under any currently effective Franchise Agreement between Company and Franchisee The Entity Documents of Franchisee shall recite that the issuance and transfer of any interest therein is subject to the restrictions set forth in the Agreement and any Franchise Agreement executed pursuant thereto

13 2 Operating Principal, Director of Operations

13 2 1 The Operating Principal shall be principally responsible for communicating and coordinating with Company regarding business operational and other ongoing matters concerning this Agreement and the Restaurants developed pursuant hereto The Operating Principal shall have the full authority to act on behalf of Franchisee in regard to performing administering or amending this Agreement and all Franchise Agreements executed pursuant hereto Company may but is not required to, deal exclusively with the Operating Principal in such regards unless and until Company's actual receipt of written notice from Franchisee of the appointment of a successor Operating Principal, who shall have been accepted by Company

13 2 2 Commencing on the date which Franchisee, directly or indirectly through one or more Affiliate(s), opens its 2nd Restaurant within the Development Area, and at all times throughout the Term and the term of each Franchise Agreement executed pursuant hereto after such date, Franchisee shall employ and retain, or shall cause the Entity to which each Franchise Agreement is assigned in accordance with Section 7 2 hereof to employ and retain an individual (the "**Director of Operations**") who shall be vested with the authority and responsibility for the day-to-day operations of all Restaurants owned or operated directly or indirectly, by Franchisee within the Development Area The Director of Operations shall, during the entire period he/she serves as such meet the following qualifications (a) shall devote full time and best efforts solely to operation of the all Restaurants owned or operated, directly or indirectly, by Franchisee in the Development Area and to no other business activities, (b) meet Company s educational, experience, financial and such other reasonable criteria for such individual, as set forth in the Manuals as defined herein or otherwise in writing by Company, and (c) be an individual acceptable to Company The Director of Operations, may (but need not) be an Owner, and with the prior written consent of Company, may be the same individual as the Operating Principal The Director of Operations shall be responsible for all actions necessary to ensure that all Restaurants owned or operated, directly or indirectly, by Franchisee in the Development Area are operated in compliance with this Agreement, all Franchise Agreements therefor and the Manuals If, during the Term hereof or any Franchise Agreement executed pursuant hereto, the Director of Operations is not able to continue to serve in such capacity or no longer qualifies to act as such in accordance with this Section (including Company s subsequent disapproval of such person), Franchisee shall

promptly notify Company and designate a replacement within 30 days after the Director of Operations ceases to serve, such replacement being subject to Company s approval

13 2 3 Franchisee shall notify Company in writing at least 10 days prior to employing the Director of Operations setting forth in reasonable detail all information reasonably requested by Company Company's acceptance of the Operating Principal and Director of Operations, shall not constitute Company's endorsement of such individual or a guarantee by Company that such individual will perform adequately for Franchisee or its Affiliates, nor shall Company be estopped from subsequently disapproving or otherwise challenging such person's qualifications or performance

13 3 Survival The provisions of this Section shall not limit restrain or otherwise affect any right or cause of action which may accrue to Company for any infringement of, violation of, or interference with this Agreement, or Company s marks, System, trade secrets, or any other proprietary aspects of Company's business

ARTICLE 14
ACKNOWLEDGMENT

14 1 General

14 1 1 Franchisee acknowledges that it has carefully read this Agreement and all other related documents to be executed concurrently or in conjunction with the execution hereof, that it has obtained the advice of counsel in connection with entering into this Agreement, that it understands the nature of this Agreement, and that it intends to comply herewith and be bound hereby

14 1 2 Company expressly disclaims making, and Franchisee acknowledges that it or they have not received or relied on any warranty or guarantee, express or implied, as to the potential volume, profits, expenses or success of the business venture contemplated by this Agreement

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed as of the first date set forth above

ACCEPTED on this _____ day of _____ 20____

FARMER BOYS FOOD, INC

By _____
Name _____
Title _____

"Franchisee"

_____
a _____

By _____
Name _____
Title _____

By _____
Name _____
Title _____

Exhibit A
DEVELOPMENT AREA

The non-exclusive Development Area* is defined as the territory within the boundaries described below

_____

_____

_____

_____

_____

_____

_____

_____

_____

* If the Development Area is defined by streets, highways, freeways or other roadways or rivers, streams, or tributaries, then the boundary of the Development Area shall extend to the center line of each such street, highway, freeway or other roadway or river, stream, or tributary

EXHIBIT B
DEVELOPMENT OBLIGATION

	DEVELOPMENT PERIOD ENDING	CUMULATIVE NO OF RESTAURANTS TO BE IN OPERATION
1	_____	_____
2	_____	_____
3	_____	_____
4	_____	_____
5	_____	_____

EXHIBIT C
Entity Information

Franchisee represents and warrants that the following information is accurate and complete in all material respects

(i) Franchisee is a (check as applicable)
[ ] corporation
[ ] limited liability company
[ ] general partnership
[ ] limited partnership
[ ] Other (specify) _____

(ii) Franchisee shall provide to Company concurrently with the execution hereof true and accurate copies of its charter documents including Articles of Incorporation, Bylaws, Operating Agreement, Regulations Partnership Agreement, resolutions authorizing the execution hereof and any amendments to the foregoing ("**Entity Documents**")

(iii) Franchisee promptly shall provide such additional information as Company may from time to time request concerning all persons who may have any direct or indirect financial interest in Franchisee

(iv) The name and address of each of Franchisee's owners, members, or general and limited partner

NAME	ADDRESS	NUMBER OF SHARES OR PERCENTAGE INTEREST

(v) There is set forth below the names, and addresses and titles of Franchisee's principal officers or partners who will be devoting their full time to the Business

NAME	ADDRESS

(vi) The address where Franchisee's Financial Records and Entity Documents are maintained is _____
_____
_____

(vii) The 'Operating Principal' is _____

APPENDIX 1

Additional Development Notice ' shall have the meaning set forth in Section 4 2 of this Agreement

Additional Development Obligation shall have the meaning set forth in Section 4 3 2 of this Agreement

Affiliate when used herein in connection with Company or Franchisee, includes each person or Entity which directly, or indirectly, through one or more intermediaries controls, is controlled by or is under common control with Company or Franchisee, as applicable Without limiting the foregoing the term Affiliate' when used herein in connection with Franchisee includes any Entity 10% or more of whose Equity or voting control, is held by person(s) or Entities who, jointly or severally, hold 10% or more of the Equity or voting control of Franchisee For purposes of this definition control of a person or Entity means the power, direct or indirect, to direct or cause the direction of the management and policies of such person or Entity whether by contract or otherwise Notwithstanding the foregoing definition, if Company or its Affiliate has any ownership interest in Franchisee, the term "Affiliate" shall not include or refer to the Company or that Affiliate (the "**Company Affiliate**'), and no obligation or restriction upon an Affiliate" of Franchisee, shall bind Company, or said Company Affiliate or their respective direct/indirect parents or subsidiaries, or their respective officers, directors, or managers

Anti-Terrorism Laws" means the International Money Laundering Abatement and Anti-Terrorist Financing Act, Executive Order 13224 issued by the President of the United States of America (or any successor Order), the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act (USA PATRIOT Act) of 2001 (or any successor legislation) and all other present and future national provincial federal, state and local laws, ordinances, regulations, policies, lists, Orders and any other requirements of any Governmental Authority addressing or in any way relating to terrorist acts and acts of war

"**Applicable Law** ' means and includes applicable common law and all applicable statutes, laws rules, regulations, ordinances policies and procedures established by any Governmental Authority, as in effect on the Effective Date and as may be amended, supplemented or enacted from time to time, governing the directly or indirectly the ownership, financing development, construction, operation, or use of revenue related to the Licensed Restaurant, and related activities, or prohibiting unfair fraudulent or corrupt business acts, omissions or practices including without limitation, all labor, immigration, food and drug laws and regulations, the Americans with Disabilities Act, and Anti-Terrorism Laws

Assignment" shall mean and refer to any assignment transfer, gift or other conveyance voluntarily or involuntarily, in whole or in part, by operation of Applicable Law or otherwise of any interest in this Agreement or any of Franchisee's rights or privileges hereunder or all of any substantial portion of the assets of the Licensed Restaurant, including the lease, provided, further, however, that if Franchisee is an Entity, each of the following shall be deemed to be an Assignment of this Agreement (i) the sale, assignment, transfer, conveyance, gift, pledge mortgage, hypothecation or other encumbrance of more than 49% in the aggregate, whether in one or more transactions, of the Equity or voting power of Franchisee, by operation of law or otherwise or any other event(s) or transaction(s) which, directly or indirectly, effectively changes control of Franchisee, (ii) the issuance of any securities by Franchisee which itself or in combination with any other transaction(s) results in the Owners, as constituted on the Effective Date, owning less than 51% of the outstanding Equity or voting power of Franchisee (iii) if Franchisee is a Partnership the resignation, removal, withdrawal, death or legal incapacity of a general partner or of any limited partner owning more than 49% of the Partnership Rights of the Partnership, or the admission of any additional general partner, or the transfer by any general partner of any of its Partnership Rights in the Partnership, or any change in the ownership or control of any general partner, (iv) the death or legal incapacity of any Owner owning more than 49% of the Equity or voting power of Franchisee, and (v) any merger, stock redemption, consolidation, reorganization recapitalization or other transfer of control of the Franchisee, however effected

'**Authorized FARMER BOYS® Products** means the specific foods products, sauces, marinades and beverages and other food items and ancillary related products, which may include books, cups, coolers hats, t-shirts and novelty items, as specified by Company from time to time in the Manuals, or as otherwise directed by Company in writing, for sale at the Restaurants , prepared, served sold and/or manufactured in strict accordance with Company s

recipes Standards and specifications, including specifications as to ingredients, brand names, preparation and presentation

'**Catering** ' means (i) the preparation provision and service and management of service of food and beverages (including sales, marketing and promotional practices related thereto) to guests invitees and other third parties on behalf of a client of the provider, whether on premises owned, leased, managed, licensed, hired or operated by such client, or for a venue-based catering facility not constituting a Restaurant by the provider including, without limitation, a private, cultural entertainment, healthcare, sports, convention or educational facility or as part of a special event such as a sporting, cultural, charitable or political event, and (ii) contract catering services which means the preparation, provision and service or management of service of food and beverages (including sales, marketing and promotional practices related thereto) to employees, customers, vendors, guests and invitees (but not the general public) on behalf of a client or to a client directly on an ongoing basis over a period of time pursuant to a contract with such client

' **Competitive Activities** ' means to, own, operate lend to, advise, be employed by, or have any financial interest in (i) any Restaurant or business that offers or sells burgers or breakfast, (ii) any family dining restaurant, other than a Restaurant operated pursuant to a validly subsisting franchise agreement with Company Notwithstanding the foregoing, "**Competitive Activities**" shall not include the direct or indirect ownership solely as an investment, of securities of any Entity which are traded on any national securities exchange if applicable owner thereof (i) is not a controlling person of, or a member of a group which controls, such Entity and (ii) does not, directly or indirectly own 5% or more of any class of securities of such Entity

Default" or ' **default**" means any breach of or failure to comply with, any of the terms or conditions of an agreement

"**Development Area**" shall have the meaning set forth in Section 1 1 of this Agreement

"**Development Period**" means each of the time periods indicated on Exhibit B during which Franchisee shall have the right and obligation to construct equip, open and thereafter continue to operate Restaurants in accordance with the Development Obligation

"**Development Obligation** ' shall mean the Franchisee s right and obligation to construct, equip, open and thereafter continue to operate at sites within the Development Area the cumulative number of Restaurants set forth in Exhibit B hereto within each Development Period and, if applicable, within the geographic areas specified therein

"**Director of Operations** shall have the meaning set forth in Section 13 2 2 of this Agreement

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

"**Equity**" means capital stock, membership interests, Partnership Rights or other equity ownership interests of an Entity

"**Franchise Agreement** means the form of agreement prescribed by Company and used to grant to Franchisee the right to own and operate a single Restaurant in the Development Area including all exhibits riders, guarantees or other related instruments, all as amended from time to time

"**Franchise Disclosure Document**" shall have the meaning set forth in Section 6 2 3

"**Force Majeure**" means acts of God (such as tornadoes, earthquakes, hurricanes, floods, fire or other natural catastrophe), strikes lockouts or other industrial disturbances, war, terrorist acts, riot or other civil disturbance epidemics, or other similar forces which Franchisee could not by the exercise of reasonable diligence have avoided, provided however, that neither an act or failure to act by a Governmental Authority, nor the performance, non-performance or exercise of rights under any agreement with Franchisee by any lender, landlord, or other person shall be an event of Force Majeure hereunder, except to the extent that such act, failure to act, performance, non-performance or

exercise of rights results from an act which is otherwise an event of Force Majeure For the avoidance of doubt, Franchisee's financial inability to perform or Franchisee's insolvency shall not be an event of Force Majeure hereunder

Governmental Authority' means and include all Federal, state, county, municipal and local governmental and quasi-governmental agencies, commissions and authorities

Initial Franchise Fee" shall have the meaning set forth in Section 5 2 of this Agreement

' **Manuals**' means Company s operations and training manuals, and any other written directive related to the System, as the same may be amended and revised from time to time, including all bulletins, supplements and ancillary and additional manuals and written directives established by Company as in effect and amended from time to time

Non-Traditional Venue" is a facility operated under the Marks located within another primary business or in conjunction with other businesses or at institutional settings including toll roads, hotels and motels, ships, ports, piers, municipal facilities public transportation facilities, casinos stadiums, airports, colleges and universities, schools, theme or amusement park, county or state fair, special event location, hospitals, military and other governmental facilities office or in-plant food service facilities, any major, regional or enclosed mall (excluding shopping center outlets), shopping mall food courts operated by a master concessionaire, grocery stores, supermarkets and convenience stores, mobile unit, kiosk, or other similar locations of a 'non-standard" nature, and any site for which the lessor, owner or operator thereof shall have indicated its intent to prefer or limit the operation of its food service facilities to a master concessionaire or contract food service provider

'**Owner**" means any direct or indirect shareholder, member, general or limited partner, trustee, or other equity owner of an Entity, except, that if Company or any Affiliate of Company has any ownership interest in Franchisee, the term 'Owner" shall not include or refer to the Company or that Affiliate or their respective direct and indirect parents and subsidiaries, and no obligation or restriction upon the Franchisee' or its Owners shall bind Company, said Affiliate or their respective direct and indirect parents and subsidiaries or their respective officers, directors or managers

'**Partnership**" means any general partnership, limited partnership or limited liability partnership

"Partnership Rights' means voting power, property, profits or losses, or partnership interests of a Partnership

"**Restaurant** shall have the meaning set forth in Recital A of this Agreement

"**Restricted Persons**" means the Franchisee, and each of its Owners and Affiliates, and the respective officers, directors, managers, and Affiliates of each of them, and the spouse and family members who live in the same household of each of the foregoing who are individuals

'**ROFR**" shall have the meaning set forth in Section 7 3 4 of this Agreement

"**ROFR Period**" shall have the meaning set forth in Section 7 3 4 of this Agreement

'**Site Review Request**" shall have the meaning set forth in Section 6 1 of this Agreement

"**Standards**" mean Company's then-current specifications standards policies procedures and rules prescribed for the development, ownership and operation of Restaurants

"**System** means the Company s operating methods and business practices related to its Restaurants , and the relationship between Company and its franchisees, including interior and exterior Restaurant designs, other items of trade dress specifications of equipment, fixtures, and uniforms, defined product offerings and preparation methods, standard operating and administrative procedures, restrictions on ownership management and technical training programs, and marketing and public relations programs, all as Company may modify the same from time to time

'**Term**" shall have the meaning set forth in Section 4 1 of this Agreement

Then-current as used in this Agreement and applied to the Franchise Disclosure Document an area development agreement and a Franchise Agreement shall mean the form then currently provided by Company to similarly situated prospective franchisees, or if not then being so provided, then such form selected by the Company in its discretion which previously has been delivered to and executed by a licensee or franchisee of Company

Traditional Restaurant" means a business premises that exists primarily as a Restaurant, excluding any Restaurant at a Non-Traditional Venue, however, which Traditional Restaurant may also have other types of Company-approved co-branded business located in it, but in such case the Restaurant is the primary business

"**Wages**" means all salaries and hourly wages, and all related direct and indirect payroll expenses of employees, including employment-related taxes, overtime compensation, vacation benefits, pension and profit sharing plan contributions, medical insurance premiums, medical benefits, and the like, and all direct and indirect fees costs and expenses payable to independent contractors agents, representatives and outside consultants

EXHIBIT E
Sublease

FARMER BOYS®
SUBLEASE

THIS Sublease ("Sublease") is dated as of _____, and is made between _____ ("Sublessor"), and _____ (collectively "Sublessee")

RECITALS

A Sublessor has previously entered into a Lease ("the "Master Lease") dated _____ between Sublessor, as tenant or lessee, and _____ , as landlord or lessor (the "Master Lessor"), relating to the premises commonly known as _____ (the "Premises")

B Sublessor would like to rent the Premises to Sublessee and Sublessee would like to hire Sublease the Premises from Sublessor

NOW, THEREFORE, Sublessor and Sublessee agree as follows

1 Sublease

Sublessor now rents the Premises to Sublessee and Sublessee now hires the Premises from Sublessor on the terms and conditions stated in this Sublease

2 Incorporation of Master Lease Provisions

All of the terms, conditions, and provisions of the Master Lease are incorporated in this Sublease by this reference Except to the extent contradicted or modified by this Sublease, the terms, conditions, and provisions of the Master Lease shall apply to and govern the rights and obligations of Sublessor and Sublessee, respectively, in the same way that they apply to and govern the rights and obligations of the Master Lessor and Sublessor, respectively By way of example, if the Master Lease requires Sublessor to maintain the Premises or perform any other act for the benefit of the Master Lessor, then Sublessee shall be required to maintain the Premises and perform such other act in like manner for the benefit of Sublessor and Master Lessor

If there is a conflict between the terms and conditions of the Master Lease and this Sublease, then as between Sublessor and Sublessee this Sublease will prevail and control By way of example, The Master Lease authorized Sublessor to assign or sublease the Premises under certain terms, and this Sublease contains provisions dealing with assignment and subletting therefore as to assignment and subletting of the Premises this Sublease will prevail over the Master Lease

If the Master Lease has a provision that gives Sublessor the right to purchase the Premises from Master Lessor, that provisions shall not apply to Sublessee and Sublessee shall have no such right

3 Term

3 1 Initial Term

The initial term of this Sublease will begin _____ The initial term of this Sublease will end at same time that the initial term of the Master Lease ends, unless terminated sooner or extended in accordance with the provisions of this Sublease

3 2 Renewal or Extension

If the Master Lease has provisions enabling Sublessor to renew or extend the Master Lease, then Sublessee has the same rights to renew or extend this Sublease, up to a maximum potential Sublease term of forty (40) years, including options After a maximum of forty (40) years, this Sublease will end, even if the term of the Master Lease does not then end As between Sublessor and Sublessee, any deadline for notice of exercise of any option rights in the Master Lease will be advanced ninety (90) days in this Sublease Sublessor may renew or extend the Master Lease even if Sublessee does not extend the term of this Sublease

4 Possession

Possession of the Premises will be delivered by Sublessor to Sublessee at the beginning of the term of this Sublease, as determined under Section 3 1 of this Sublease

5 Rent

5 1 Base Rent

Sublessee will not pay the minimum, base, or fixed rent due from Sublessor to the Master Lessor under the Master Lease Sublessee will, however, pay Sublessor, in equal monthly installments, the annual minimum rent ("Base Rent") stated in Schedule A to this Sublease

5 2 Percentage Rent

In addition to Base Rent, Sublessee must pay Sublessor Percentage Rent, calculated as follows

(a) Annual gross sales (amount received by Sublessee and its related parties for all goods sold and services rendered from the Premises during the year)

(b) MINUS Two Hundred Thousand Dollars ($200,000)

(c) MINUS Sales tax and returns

(d) TIMES Four Percent (4%)

(e) MINUS Annual Base Rent

(f) EQUALS Percentage Rent

If components (a) through (d) of the above calculation do not exceed the Base Rent, no Percentage Rent is payable

Percentage Rent is due on January 10 of , for each calendar year during of the term of this Sublease for, on the preceding year tenth (10th) day of the following January A final Percentage Rent payment is due on the tenth (10th) day of the month following expiration or termination of this Sublease the Sublease For purposes of determining Percentage Rent percentage rent, Sublessee agrees to keep adequate books that show all sales and charges by Sublessee and any other people conducting any business upon or from the Premises On January 10 of Sublessee must submit to Sublessor, for each calendar year of the term of this Sublease Sublessee must submit to , on the tenth (10th) day of the following January, a written statement signed by Sublessee and certified by it to be true and correct, showing in reasonably accurate detail the amount of gross sales Gross Sales during the preceding year The statements must be in any form and style and contain any details that Sublessor reasonably requires If the first or last year of the term of this Sublease is not a full calendar year, the Percentage Rent percentage rent, the Base Rent, and the Two Hundred Thousand Dollars ($200,000 00) will be prorated based upon the number of days in the applicable year

5 3 Other Master Lease Charges

Sublessee will also pay Sublessor all other monetary amounts of any kind or nature whatsoever that Sublessor is required to pay Master Lessor under the provisions of the Master Lease

5 4 When to Pay

Subject to the provisions of Section 5 6, the Base Rent required by this Sublease and, except for property taxes, any other charges described above will be paid by Sublessee to Sublessor ten (10) days before the date that they are due under the Master Lease Even if the Master Lease permits property taxes to be paid by Sublessor to the Landlord in a lump sum, Sublessor has the right to require Sublessee to pay 1/12 of the annual property tax bill each month with the Base Rent and other charges

5 5 Where to Pay

Subject to the provisions of Section 5 6, the Base Rent and other charges described above must be paid by Sublessee to Sublessor, without deduction, setoff, notice, or demand, at the address below the Sublessor's signature on the final page of this Sublease, or at any other place Sublessor designates by written notice to Sublessee

5 6 Automatic Bank Draft

Instead of paying the Base Rent and other charges by check or cash, Sublessor shall have the right to withdraw the amount due from Sublessee's bank account by automatic bank draft on or after the date that such payment is due Sublessee agrees to provide Sublessor any information necessary to set up such payments, and to sign any authorizations needed to authorize Sublessee's bank to permit such payments

5 7 Sublessor's Obligation to Pay Master Lessor

Immediately upon receipt from Sublessee of the Base Rent and other charges described above, or when funds are available at Sublessor's bank if payment is by other than cash, cashier's check, automatic bank draft, or bank wire, Sublessor will pay Master

Lessor the corresponding sums due Master Lessor under the provisions of the Master Lease Sublessor will be under no obligation to Sublessee to pay Master Lessor at any time that Sublessee is in default

of its obligations to Sublessor under this Sublease If any check given by Sublessee to Sublessor is dishonored by Sublessee's bank, then at any time afterward Sublessor may require that all future payments be made by cashier's check or bank wire at Sublessee's expense

5 8 Late Charges and Interest

All payments which Sublessee is required to make to Sublessor under this Sublease will bear interest from and after their respective due dates until paid in full at a rate equal to eighteen percent (18%) per year, or the highest amount permitted by applicable law, whichever is less Sublessee acknowledges that this provision is not Sublessor's agreement to accept late payments or a commitment by Sublessor to extend credit to or otherwise finance Sublessee's operation of the Restaurant Sublessee acknowledges that his or her failure to pay all amounts when due will constitute a breach of this Sublease and, if not cured within any applicable cure period, grounds for its termination Further, acceptance of any interest payment will not be construed as a waiver by Sublessor of its right in respect of the default giving rise to the payment and will not diminish Sublessor' right to terminate this Sublease on the basis of the default

5 9 Partial Months

If the term of this Sublease begins or ends on a day other than the first or last day of a month, the Base Rent and other charges for the partial month or months will be prorated based upon the number of day in the applicable month

6 Security Deposit

Sublessee must deposit with Sublessor on signing of this Sublease a security deposit in the sum of $ _____, as security for the performance by Sublessee of its obligations under this Sublease If Sublessee is in default, Sublessor may use the security deposit, or any portion thereof, to cure such default, or to compensate Sublessor for any damage sustained by Landlord resulting from Sublessee's default, and Sublessee waives the provisions of Civil Code section 1950 7 to the extent that section fails to allow Sublessor to apply the security deposit to future rent or damages as of the date that Sublessor is required to account for the security deposit If Sublessee is not in default at the expiration or earlier termination of this Sublease, the security deposit will be returned to Sublessee Sublessor's obligations with respect to the security deposit are those of a debtor and not a trustee Sublessor may commingle the security deposit with its general and/or other funds, and it will have no obligation to pay Sublessee interest upon the security deposit

7 Use of Premises

During the term of this Sublease, the Premises must be used exclusively for the purpose of operating a franchised Restaurant in accordance with the Franchise Agreement, the Master Lease, this Sublease, and all applicable laws, regulations and ordinances, and for no other purpose without the express written consent of Sublessor

8 Performance of Master Lease Obligations

8 1 Nonmonetary Obligations

If any of the terms or conditions of the Master Lease require Sublessor to perform any act, other than the payment of money directly to the Master Lessor, all of these terms and conditions are incorporated into and made a part of this Sublease Sublessee will perform all these obligations on Sublessor's behalf

8 2 Master Lease Restrictions

If any of the terms or conditions of the Master Lease restrict the rights of Sublessor, all of those terms and conditions are incorporated into and made a part of this Sublease and Sublessee will abide by them

8 3 Master Lessor's Breach

Sublessor will have no liability to Sublessee because of Master Lessor's breach of the Master Lease As long as it can do so without incurring expense, Sublessor will cooperate with Sublessee and exercise due diligence in all reasonable respects to enforce the terms of the Master Lease against Master Lessor

8 4 Liability for Master Lease Termination

If the Master Lease terminates as a result of a default or breach of some obligation contained in the Master Lease, then, as between Sublessor and Sublessee, the party that caused the default will be liable to the non-defaulting party for the damage suffered as a result of the Master Lease termination

8 5 Enforcement of Master Lease

Nothing contained in this Sublease is intended to abridge or restrict Sublessor, as lessee under the Master Lease, from enforcing the Master Lease as between Sublessor and the Sublessee

9 Insurance and Condemnation

9 1 Procurement and Maintenance

Sublessee agrees to procure and maintain, at its sole cost and expense, all of the insurance required of Sublessor by the Master Lease and to otherwise comply with all of the insurance obligations stated in the Master Lease In addition, Sublessee will cause Sublessor and any other person designated by Sublessor to be named as additional insureds on the insurance policy or policies and to give Sublessor copies of these policy or policies

9 2 Use of Proceeds

If a casualty occurs that is covered by insurance, the Premises must be rebuilt with the proceeds of the insurance unless the Master Lease mandates another result Sublessee will pay any deductibles and will fund any shortfall if the proceeds of the insurance are inadequate If a casualty occurs that is not covered by insurance, then Sublessee will rebuild the Premises, at its sole cost and expense, unless the Master Lease mandates another result

9 3 Condemnation

If all or any portion of the Premises are taken by condemnation, if the Premises can be rebuilt then they must be rebuilt to the extent possible unless the Master Lease mandates another result The award of the condemning authority will be used for this purpose and Sublessee will fund any shortfall if the award is inadequate

9 4 Right to Terminate

If the Master Lease gives the Master Lessor any right to terminate the Master Lease upon the partial or total damage, destruction, or condemnation of the Premises, this termination right will also apply to this Sublease

10 Consent

Whenever the Master Lease provides that the Master Lessor's consent is required for an act or omission, then the consent of both the Master Lessor and Sublessor to the act or omission will be required Whenever the Master Lease provides that Sublessor's consent is required for an act or omission, then the consent of both Sublessor and Sublessee to the act or omission will be required In all cases where the consent of Sublessor or Sublessee is required, the same will not be unreasonably withheld, delayed, or conditioned by Sublessor or Sublessee

11 Assignment and Subletting

11 1 Transfer

Sublessee may not assign or in any manner transfer this Sublease or any interest in this Sublease or further sublet the Premises or any part or parts of them, nor permit occupancy by anyone with, through or under the Sublease, except in connection with a transfer of the Franchise Agreement and upon the terms and conditions contained in the Franchise Agreement and the Master Lease This Sublease and the Sublessee's interest in it will not be assignable by operation of law

11 2 Failure to Obtain Approval

Any attempted or actual transfer of this Sublease (whether by way of an assignment, Sublease or otherwise) by Sublessee without Sublessor's prior written consent will be null, void and of no force or effect, will convey no right or interest to the purported transferee, and will constitute a material breach of this Sublease

11 3 Assignment by Sublessor

Sublessor may at any time assign this Sublease and the rights, privileges, duties and obligations under it, subject only to the requirements of the Master Lease

11 4 Indemnity

Sublessee indemnifies and holds Sublessor and its affiliates harmless from and against all claims and demands of any type, kind, or nature made by any third party which arise out of or are in any manner connected with Sublessee's use and occupancy of the premises or this Sublease other than claims or demands arising out of or in connection with the grossly negligent act or omission or willful misconduct of Sublessor, Farmer Boys, or their employees, agents or contractors

12 Sublessor's Right to Cure Defaults

At any time during the term of this Sublease and without notice to Sublessee, Sublessor may, but will not be obligated to, cure or otherwise discharge any default by Sublessee under this Sublease Any and all costs or expenses which Sublessor may incur for this purpose will be immediately due and payable in full without further notice or communication to Sublessee of any type, kind or nature Sublessor will have the same remedies for the recovery of these costs and expenses as for the recovery of rent under this Sublease and at law

13 Default and Termination

In spite of anything to the contrary in this Sublease, Sublessor will have the right to terminate this Sublease, enabling Sublessor to exercise all of the remedies of a landlord and to file an action for unlawful detainer, upon the happening of any of the following events

(a) Any failure by Sublessee to pay the Base Rent within five (5) days of the due date for the Base Rent, and any other failure of Sublessee to pay any other amount due under the Sublease within five (5) days' of written demand

(b) Any failure by Sublessee to abide by any other provision of this Sublease or the Master Lease when such failure continues beyond any notice or cure period provided by this Sublease or the Master Lease

(c) If the Franchise Agreement dated _____ between Farmer Boys and Sublessee expires and is not renewed or is terminated for any reason,

(c) If the Master Lease should be canceled or terminated by reason of any act or omission of Sublessee prior to its expiration date, or

(d) If Sublessee should suffer or permit the occurrence of any act or thing which would constitute an event of default by Sublessor under the terms of the Master Lease and fail to cure the default within any applicable cure period

14 Legal Proceedings

If Sublessor begins any summary proceeding to enforce this Sublease against Sublessee or to remove Sublessee and Sublessee's property from the Premises, Sublessee may not assert any counterclaims or assert as a defense to any such proceeding that Farmer Boys had no right to terminate the Franchise Agreement or that Farmer Boys had violated the franchise laws, it being the intention of the parties that these counterclaims must be brought against Farmer Boys, if at all, in a separate proceeding

15 Notice

If the Master Lease requires that notice be given to the Master Lessor, then whenever Sublessor gives notice to Master Lessor it will also notify Sublessee in the same manner and whenever Sublessee gives notice to Master Lessor it will also notify Sublessor in the same manner The initial addresses for notice to Sublessor and Sublessee are written below their names on the final page of this Sublease Notice may be delivered by facsimile (with simultaneous mailing of a copy by first class mail), courier, or first class mail Notice by facsimile will be considered delivered upon transmission, by courier, upon delivery, and by first class mail, three days after posting

16 Entire Agreement

This Sublease, including all of the provisions of the Master Lease incorporated in this Sublease by reference, describes all the agreements between Sublessor and Sublessee concerning the Premises All other agreements, understandings, conditions, warranties, and representations are superseded by this Sublease

17 Joint and Several Liability

If Sublessee is or becomes a partnership, corporation, or limited liability company, or if this Sublease is assigned to a partnership, corporation, or limited liability company, all general partners, shareholders, or members must guaranty this Sublease and be bound jointly and severally by all its provisions The guarantors to this Sublease represent and warrant that they are the sole owners of Sublessee

18 Inspection Disclosure

Sublessee also acknowledges that Sublessor has disclosed that the Premises have not undergone inspection by a Certified Access Specialist (as defined by California Civil Code Section 55 51 et seq) for compliance with applicable construction-related accessibility standards

IN WITNESS TO THE FOREGOING, the parties to this Sublease have signed this Sublease as of the date stated above

SUBLESSEE	SUBLESSOR
By _____	By _____
Print Name _____	Print Name _____
Print Title _____	Print Title _____
address _____	address _____
_____	_____

COVENANTS OF SHAREHOLDERS, PARTNERS, OR MEMBERS

The undersigned individuals represent and warrant that they are all of the shareholders, partners, or members of Sublessee Accordingly, to induce Sublessor to enter into this Sublease, each of the undersigned individuals jointly and severally guarantees the performance by Sublessee of its obligations under this Sublease and each of the undersigned individuals jointly and severally agrees to be bound by all of the provisions of this Sublease

Dated _____

_____

_____

_____

_____

SCHEDULE A
RENT

EXHIBIT F
Lease

TABLE OF CONTENTS

1	Basic Provisions		1
	1 1	Parties, Date	1
	1 2	Premises	1
	1 3	Term, Options	1
	1 4	Rent	1
	1 5	Security	2
	1 6	Permitted Use	2
	1 7	Guarantor	2
	1 8	Contingencies	2
2	Premises		2
	2 1	Lease of Premises	2
	2 2	Acceptance of Premises	3
3	Term		3
	3 1	Term	3
	3 2	Holding Over, Surrender	3
	3 3	Option to Extend	3
	3 4	Option Rent	4
4	Rent		5

	4 1	General	5
	4 2	Percentage Rent	5
5	Security Deposit		6
6	Use		6
	6 1	Use	6
	6 2	Hazardous Substances	7
	6 3	Tenant's Compliance with Law	8
	6 4	Inspection, Compliance	8
7	Maintenance, Repairs, Utilities and Alterations		9
	7 1	Tenant's Obligations	9
	7 2	Landlord's Obligations	9
	7 3	Alterations	9
	7 4	Initial Construction	10
8	Insurance, Indemnity		11
	8 1	Liability Insurance	11
	8 2	Property Insurance -- Building, Improvements and Rental Value	11
	8 3	Tenant's Property Insurance	12
	8 4	Insurance Policies	12
	8 5	Waiver of Subrogation	12

8 6 Indemnity 12

9 Damage or Destruction 13

9 1 Damage or Destruction 13

9 2 Effect on Rent 13

9 3 Damage Near End of Term 13

10 Real Property Taxes 14

10 1 Payment of Taxes 14

10 2 Definition of "Real Property Taxes" 14

10 3 Personal Property Taxes 14

11 Utilities15

12 Assignment and Subletting 15

12 1 Landlord's Consent Required 15

12 2 Terms and Conditions Applicable to Assignment and Subletting 15

12 3 Leasehold Mortgage 16

13 Default, Breach, Remedies 16

13 1 Default16

13 2 Remedies 17

13 3 Late Charges 18

13 4 Breach by Landlord 19

14	Condemnation	19
	14 1 Insubstantial Taking	19
	14 2 Partial Taking	19
	14 3 Complete Taking	20
15	Brokers	20
16	Tenancy Statement	20
17	Landlord's Liability	21
18	Severability	21
19	Interest on Past-Due Obligations	21
20	Time of Essence	21
21	Rent Defined	21
22	No Prior or Other Leases	21
23	Notices	21
24	Waivers	22
25	Memorandum of Lease	22
26	Cumulative Remedies	22
27	Covenants and Conditions	22
28	Binding Effect -- Choice of Law	22
29	Subordination, Attornment, Non-Disturbance	22

	29 1 Subordination	22
	29 2 Attornment	22
	29 3 Non-Disturbance	23
	29 4 Self-Signing	23
30	Attorneys' Fees	23
31	Landlord's Access -- Showing Premises, Repairs	23
32	Signs	23
33	Termination, Merger	23
34	Consents	24
35	Guarantors	24
36	Quiet Possession	24
37	Options	24
	37 1 Multiple Options	24
	37 2 Effect of Default on Options	24
38	Security Measures	24
39	Reservations	24
40	Performance Under Protest	25
41	Authority	25
42	Conflict	25

43	Offer	25
44	Amendments	25
45	Multiple Parties	25

FARMER BOYS® RESTAURANT LEASE

1 Basic Provisions

This paragraph 1 contains the Basic Provisions of this Lease The Basic Provisions are further defined and explained in other paragraphs of this Lease and are to be read in conjunction with them

1 1 Parties, Date This Lease ("Lease"), dated for reference purposes only as of _____, 20__, is made by _____ whose address for notice and the payment of rent is _____("Landlord"), and _____, whose address for notice is the Premises ("Tenant")

1 2 Premises The real property, including all improvements now or in the future erected on it, commonly known as _____ and legally described on Exhibit A hereto, and generally described as land and a commercial or industrial building now existing or to be built, including all parking areas, landscape areas, walks, drives, trash enclosures, and other appurtenances ("Premises")

1 3 Term, Options This Lease will be for an initial term of approximately Twenty (20) years ("Original Term") beginning on the earlier of _____ [date] or the date that Tenant opens the business to be conducted at the Premises ("Commencement Date"), and ending on the last day of the 240th full calendar month following the Commencement Date ("Expiration Date") In addition, Tenant will have two (2) options ("Option(s)") to extend the term of this Lease for ten (10) years per Option ("Option Period") If no Option Periods are specified in this paragraph of this Lease, then references to an Option or Option Periods in this Lease will be considered surplusage and may be ignored In spite of the above definition of the Commencement Date, all of the Tenant's indemnity obligations under this Lease, as well as the Tenant's obligations to carry insurance, will be effective at any time that the Tenant or any of the Tenant's agents, employees, contractors, subcontractors or any person acting at the request of the Tenant, is on or in possession of the Premises When the Commencement Date has been determined, the parties shall executed a memorandum or amendment to this Lease confirming the actual Commencement Date within 10 days of written demand

1 4 Rent

(a) The rent per month for the Premises for the Original Term and any Option Periods will be as follows

PERIOD	MONTHLY RENT
From the Commencement Date to the last day of the 60th full calendar month following the Commencement Date Rent for the first partial month shall be prorated if necessary	
Years 6 through 10	
Years 11 through 15	
Years 16 through 20	
Years 21 through 25 if applicable	
Years 26 through 30 if applicable	
Years 31 through 35 if applicable	
Years 36 through 40 if applicable	

1 5 Security On the signing of this Lease, the Tenant will pay Landlord an amount equal to the monthly rent as of the Commencement Date of this Lease as a security deposit At the beginning of each five years thereafter, Tenant must pay Landlord an amount sufficient to increase the security deposit to the rent during the applicable period

1 6 Permitted Use FARMER BOYS® restaurant and no other use

1 7 Guarantor The obligations of the Tenant under this Lease are to be guaranteed by _____ ("Guarantor") If no Guarantor is identified in this paragraph of this Lease, then references to a Guarantor in this Lease will be considered surplusage and may be ignored

1 8 Contingencies Tenant acknowledges that as of the date of the signing of this Lease Landlord does not own fee title to the Premises, and the parties do not have the requisite permits or licenses to construct the Premises or operate Tenant's business at the Premises Therefore, this Lease will be contingent upon Landlord's either purchasing the Premises or acquiring a ground lease for the Premises, on terms that are acceptable to Landlord, in its sole and absolute discretion The obligations under this Lease are also contingent upon the parties obtaining any permits and/or licenses (including but not limited to conditional use permits, building permits, and variances) that are required by applicable laws to enable Tenant legally to (a) construct Tenant's improvements to the Premises, (b) to install Tenant's signs on the Premises, and (c) to conduct its business from the Premises Landlord and Tenant will, at Tenant's

expense, initiate and diligently pursue each permit and/or license Landlord will sign any applications and will provide Tenant with any further assistance and cooperation that Tenant may require in applications for these permits and licenses

2 Premises

2 1 Lease of Premises Landlord leases to Tenant, and Tenant hires from Landlord, the Premises, for the term, at the rental, and upon all of the terms, covenants and conditions stated in this Lease Unless otherwise provided in this Lease, any statement of square footage in this Lease, or any statement of square footage that may have been used in calculating rental, is an approximation which Landlord and Tenant agree is reasonable and the rental based on it is not subject to revision whether or not the actual square footage is more or less

2 2 Acceptance of Premises Tenant acknowledges (a) that prior to the Commencement Date of this Lease it has satisfied itself with respect to the condition of the Premises and the present and future suitability of the Premises for Tenant's intended use, (b) that neither Landlord, nor any of Landlord's agents, has made any oral or written representations or warranties with respect to these matters other than as describe in this Lease, (c) that the Premises are subject to all applicable zoning ordinances, building codes and to all easements, covenants, conditions, restrictions and other matters of record on the Commencement Date, all of which Tenant must comply with at Tenant's sole cost and expense, and (d) that Tenant accepts the Premises in an "as-is" condition, with all faults Tenant also acknowledges that Landlord has disclosed that the Premises have not undergone inspection by a Certified Access Specialist (as defined by California Civil Code Section 55 51 et seq) for compliance with applicable construction-related accessibility standards

3 Term

3 1 Term The Commencement Date, Expiration Date and Original Term of this Lease are as specified in paragraph 1 3

3 2 Holding Over, Surrender Tenant must vacate the Premises upon the expiration or earlier termination of this Lease and Tenant Tenant must indemnify Landlord against any and all damages incurred by Landlord resulting from any delay by Tenant in vacating the Premises when required In spite of the foregoing, if Tenant fails to vacate the Premises upon the expiration or earlier termination of this Lease and Landlord accepts rent from Tenant, Tenant's occupancy of the Premises will be considered a "month-to-month" tenancy, subject to all of the other terms of this Lease, except that the rent will be increased by fifty percent (50%) over the rent in effect on the date of termination of this Lease Tenant must surrender the Premises by the end of the last day of the Lease term or any earlier termination date, with all improvements, parts and surfaces clean and free of debris and in good operating order, condition and state of repair, ordinary wear and tear excepted "Ordinary wear and tear" will not include any damage or deterioration that would have been prevented by good maintenance practice or by Tenant performing all of its obligations under this Lease Tenant must repair of

any damage occasioned by the installation, maintenance or removal of Tenant's Trade Fixtures

3 3 Option to Extend Landlord hereby grants Tenant the Options, if any, specified in paragraph 1 3, to extend the term of this Lease, each option being expressly conditioned upon compliance with the following terms and conditions

(a) No less than six (6) months and no more that nine (9) months before the expiration of the then current term of this Lease, Tenant must give Landlord a written notice of the exercise of its Option to extend the term of this Lease for the next applicable Option term, time being of the essence If said notice is not so given, the Option will automatically expire,

(b) The provisions of paragraph 37 of this Lease are conditions to the Tenant's right to exercise any Option, and

(c) All of the terms and conditions of this Lease will apply during any Option Period

3 4 Option Rent The rent during each Option Period will be the amount set forth in section 1 4 of this Lease If section 1 4 requires that the rent during any option period be the fair market rental value of the Premises, then such sum shall be determined in accordance with the following procedures

(a) Within fifteen (15) days of receipt by Landlord of Tenant's written notice of the exercise of any Option, Landlord must send written notice (the "Landlord's Notice") to Tenant advising Tenant of Landlord's opinion of the fair market rental value of the Premises for the Option Period (the "Landlord's Opinion of Value")

(b) If Landlord's Opinion of Value is acceptable to Tenant, then Tenant will so notify Landlord in writing within fifteen (15) days of receipt by Tenant of Landlord's Notice, and this Lease will be extended for the period for which the Option was exercised at the rental rate described in Landlord's Notice

(c) If Tenant disagrees with Landlord's Opinion of Value, Tenant will deliver written notice of disagreement (the "Tenant's Notice") to Landlord within fifteen (15) days of receipt by Tenant of Landlord's Notice In the Tenant's Notice, Tenant will advise Landlord of Tenant's opinion the fair market rental value of the Premises for the Option Period ("Tenant's Opinion of Value") If Landlord and Tenant cannot agree in writing upon the Value of the Premises within ten (10) days after Landlord's receipt of Tenant's Notice, then the rent for the Premises for the applicable Option Period will be either (i) Landlord's Opinion of Value or (ii) Tenant's Opinion of Value, and no other number, as determined by the following appraisal procedures Landlord and Tenant must pay for the costs of their respective appraisers, and the parties must share the cost of the third appraiser on a 50/50 basis

(d) In the parties cannot agree upon the rent within the time frame allowed by subparagraph (c) above, then, within thirty (30) days thereafter, both

Landlord and Tenant will appoint an appraiser licensed by the State of California and will give written notice of the name and address of this appraiser to the other party The failure by either party to timely appoint an appraiser and so notify the other party in writing will be considered a waiver by the failing party of the right to have the rent determined by more than one appraiser Within ten (10) days after both appraisers are appointed, the appraisers will themselves appoint a third appraiser and serve written notice of the appraiser so appointed upon each of the parties The third appraiser must have at least five (5) years experience in appraising commercial real estate in the general area of the Premises The three appraisers so appointed will meet at the earliest time practicable, but in no event more than thirty (30) days after the appointment of the third appraiser, for the purpose of determining whether Landlord's Opinion of Value or Tenant's Opinion of Value is the more accurate rent for the Premises The decision of the majority of said appraisers will be binding on both of the parties to this agreement In spite of the generality of the foregoing, in no event will the rent be less than rent for the year preceding the Option Period for which the Option was exercised The rent for the Premises will be determined based upon rentals then being charged for other space similarly situated taking into account the size, location, floor level, length of the term of the Option Period, and any other relevant terms and conditions, but, in each instance, disregarding "tenant concessions", if any, then being offered to prospective new tenants The term "tenant concessions" will include, without limitation, so-called free rent, reduced rent, tenant improvement allowances, moving allowances, lease takeover costs, the method of calculating rentable square footage, Landlord construction costs, etc

4 Rent

4 1 General Tenant must cause payment of rent and other charges, as adjusted from time to time, to be received by Landlord in lawful money of the United States, without offset or deduction and without demand, on or before the first day of each month during each month of the term of this Lease Rent and other charges for any period during the term of this Lease which is for less than one (1) full calendar month will be prorated based upon the actual number of days of the calendar month involved Payment of rent and other charges will be made to Landlord at its address stated in this Lease or to any other people or at any other addresses that Landlord may from time to time designate in writing to Tenant

4 2 Percentage Rent In addition to Base Rent, Tenant must pay Landlord Percentage Rent, calculated as follows

(a) Annual gross sales (amount received by Tenant and its related parties for all goods sold and services rendered from the premises during the year) less Two Hundred Thousand Dollars ($200,000)

(b) MINUS

Sales tax and returns

(c) TIMES

Four Percent (4%)

(d) MINUS

Base Rent

(f) EQUALS Percentage Rent

If components (a) through (c) of the above calculation do not exceed the Base Rent, no Percentage Rent is Payable

Percentage Rent is due, for each calendar year of the term of this Lease, on the tenth (10th) day of the following January A final Percentage Rent payment is due on the tenth (10th) day of the month following expiration or termination of the Lease For purposes of determining percentage rent, Tenant agrees to keep adequate books that show all sales and charges by Tenant and any other people conducting any business upon or from the Premises Tenant must submit to Landlord, for each calendar year of the term of this Lease, on the tenth (10th) day of the following January, a written statement signed by Tenant and certified by it to be true and correct, showing in reasonably accurate detail the amount of Gross Sales during the preceding year The statements must be in any form and style and contain any details that Landlord reasonably requires If the first or last year of the term of this Lease is not a full calendar year, the percentage rent, the Base Rent, and the Two Hundred Thousand Dollars ($200,000 00) will be prorated

4 3 Automatic Bank Draft Instead of paying the rent and other charges by check or cash, Landlord shall have the right to withdraw the amount due from Tenant's bank account by automatic bank draft on or after the date that such payment is due Tenant agrees to provide Landlord any information necessary to set up such payments, and to sign any authorizations needed to authorize Tenant's bank to permit such payments

5 Security Deposit Tenant must deposit with Landlord upon signing of this Lease the security deposit stated in paragraph 1 5 as security for Tenant's faithful performance of Tenant's obligations under this Lease If Tenant fails to pay rent or other charges due under this agreement, or otherwise defaults under this Lease, Landlord may use, apply or retain all or any portion of the security deposit for the payment of any amount due Landlord or to reimburse or compensate Landlord for any liability, cost, expense, loss or damage (including attorney fees) which Landlord may suffer or incur by reason of the default If Landlord uses or applies all or any portion of security deposit, Tenant shall within ten (10) days after written request therefor deposit moneys with Landlord sufficient to restore said security deposit to the full amount required by this Lease Landlord shall not be required to keep all or any part of the security deposit separate from its general accounts Landlord must, at the expiration or earlier termination of the term of this Lease and after Tenant has vacated the Premises, return to Tenant (or, at Landlord's option, to the last assignee, if any, of Tenant's interest in this Lease), that

portion of the security deposit not used or applied by Landlord No part of the security deposit will be considered to be held in trust, to bear interest, or to be prepayment for any moneys to be paid by Tenant under this Lease

6 Use

6 1 Use Tenant may use and occupy the Premises only for the purposes described in paragraph 1 6 and for no other purpose whatsoever Tenant may not use or permit the use of the Premises in a manner that creates waste or a nuisance, or that disturbs owners and/or occupants of, or causes damage to, neighboring premises or properties Tenant covenants and agrees that it will continuously and uninterruptedly throughout the term of this Lease (i) operate and conduct a lawful business at the Premises during the usual business hours of each and every business day that is customary for businesses of like character in the city in which the Premises are located, and (ii) staff the Premises with sufficient sales personnel, stock the Premises with adequate merchandise, and exercise sound business practices, due diligence and efficiency so as to maximize gross sales from the Premises

6 2 Hazardous Substances

(a) Reportable Uses Require Consent The term "Hazardous Substance" as used in this Lease will mean any product, substance, chemical, material or waste whose presence, nature, quantity and/or intensity of existence, use, manufacture, disposal, transportation, spill, release or effect, either by itself or in combination with other materials expected to be on the Premises, is either (i) potentially injurious to the public health, safety or welfare, the environment or the Premises, (ii) regulated or monitored by any governmental authority, or (iii) a basis for liability of Landlord to any governmental agency or third party under any applicable statute or common law theory Hazardous Substance will include, but not be limited to, hydrocarbons, petroleum, gasoline, crude oil or any products, by-products or fractions of them Tenant may not engage in any activity in, on or about the Premises which constitutes a Reportable Use (as defined below) of Hazardous Substances without the express prior written consent of Landlord and compliance in a timely manner (at Tenant's sole cost and expense) with all Applicable Law "Reportable Use" will mean (i) the installation or use of any above or below ground storage tank, (ii) the generation, possession, storage, use, transportation, or disposal of a Hazardous Substance that requires a permit from, or with respect to which a report, notice, registration or business plan is required to be filed with, any governmental authority Reportable Use will also include Tenant's being responsible for the presence in, on or about the Premises of a Hazardous Substance with respect to which any Applicable Law requires that a notice be given to people entering or occupying the Premises or neighboring properties In spite of the foregoing, Tenant may, without Landlord's prior consent, but in compliance with all Applicable Law, use any ordinary and customary materials reasonably required to be used by Tenant in the normal course of Tenant's business permitted on the Premises, so long as the use is not a Reportable Use and does not expose the Premises or neighboring properties to any meaningful risk of contamination or damage or expose Landlord to any liability In addition, Landlord may (but without any obligation

to do so) condition its consent to the use or presence of any Hazardous Substance, activity or storage tank by Tenant upon Tenants giving Landlord any additional assurances that Landlord, in its reasonable discretion, considers necessary to protect itself, the public, the Premises and the environment against damage, contamination or injury and/or liability, including, but not limited to, the installation (and removal on or before Lease expiration or earlier termination) of reasonably necessary protective modifications to the Premises (such as concrete encasements) and/or the deposit of an additional security deposit

(b) Duty to Inform Landlord If Tenant knows, or has reasonable cause to believe, that a Hazardous Substance, or a condition involving or resulting from same, has come to be located in, on, under or about the Premises, other than as previously consented to by Landlord, Tenant must immediately give written notice of this fact to Landlord Tenant must also immediately give Landlord a copy of any statement, report, notice, registration, application, permit, business plan, license, claim, action or proceeding given to, or received from, any governmental authority or private party, or people entering or occupying the Premises, concerning the presence, spill, release, discharge of, or exposure to, any Hazardous Substance or contamination in, on, or about the Premises, including but not limited to all documents that may be involved in any Reportable Uses involving the Premises

(c) Indemnification Tenant will indemnify, protect, defend and hold Landlord, its constituent partners, shareholders, officers, directors, employees, agents, and the Premises, harmless from and against any and all damages, liabilities, judgments, costs, claims, liens, expenses, penalties, permits and attorneys and consultants fees arising out of or involving any Hazardous Substance or storage tank brought onto the Premises by or for Tenant or under Tenant's control Tenant's obligations under this paragraph will include, but not be limited to, the effects of any contamination or injury to person, property or the environment, and the cost of investigation (including consultant's and attorney fees and testing), removal, remediation, restoration and/or abatement of them, or of any contamination in them, and will survive the expiration or earlier termination of this Lease No termination, cancellation or release agreement entered into by Landlord and Tenant will release Tenant from its obligations under this Lease with respect to Hazardous Substances or storage tanks, unless specifically so agreed by Landlord in writing at the time of the agreement

6 3 Tenant's Compliance with Law Tenant, must, at Tenant's sole cost and expense, fully, diligently and in a timely manner, comply with all "Applicable Law," which term is used in this Lease to include all federal, state and local statutes, laws, rules, regulations, ordinances, directives, covenants, easements and restrictions of record, permits, the requirements of any applicable fire insurance underwriter or rating bureau relating in any manner to the Premises (including but not limited to matters pertaining to (i) industrial hygiene, (ii) environmental conditions on, in, under or about the Premises, including soil and groundwater conditions, and (iii) the use, generation, manufacture, production, installation, maintenance, removal, transportation,

storage, spill or release of any Hazardous Substance or storage tank), now in effect or which may in the future come into effect

6 4 Inspection, Compliance Landlord and Landlord's lenders will have the right to enter the Premises at any time in the case of an emergency, and otherwise at reasonable times, for the purpose of inspecting the condition of the Premises and for verifying compliance by Tenant with this Lease and all Applicable Laws, and to employ experts and/or consultants in connection with these purposes and/or to advise Landlord with respect to Tenant's activities, including but not limited to the installation, operation, use monitoring, maintenance, or removal of any Hazardous Substance or storage tank on or from the Premises The costs and expenses of any such inspection will be paid by the party requesting same, unless a default or breach of this Lease, violation of Applicable Law, or a contamination, caused or materially contributed to by Tenant is found to exist or be imminent, or unless the inspection is requested or ordered by a governmental authority as the result of any existing or imminent violation or contamination In any case, Tenant will upon request reimburse Landlord or Landlord's lender, as the case may be, for the costs and expenses of these inspections

7 Maintenance, Repairs, Utilities and Alterations

7 1 Tenant's Obligations Subject to the provisions of this lease dealing with damage, destruction, and condemnation, Tenant must, at Tenant's sole cost and expense and at all times, keep the Premises and every part of them in good order, condition and repair, structural and non-structural (whether or not the portion of the Premises requiring repairs, or the means of repairing the same, are reasonably or readily accessible to Tenant, and whether or not the need for the repairs occurs as a result of Tenant's use, any prior use, the elements or the age of the portion of the Premises), including, without limiting the generality of the foregoing, all equipment or facilities serving the Premises, such as plumbing, heating, air conditioning, ventilating, electrical, lighting facilities, boilers, fired or unfired pressure vessels, fire sprinkler and/or standpipe and hose or other automatic fire extinguishing system, including fire alarm and/or smoke detection systems and equipment, fire hydrants, fixtures, walls (interior and exterior), foundations, ceilings, roofs, floors, windows, doors, plate glass, skylights landscaping, driveways, parking lots, fences, retaining walls, water retention & treatment facilities, signs, sidewalks and parkways located in, on, about, or adjacent to the Premises Tenant's obligations will include restorations, replacements or renewals when necessary to keep the Premises and all improvements on them in good order, condition and state of repair Landlord may require Tenant to repaint the exterior of the buildings on the Premises as reasonably required

7 2 Landlord's Obligations Subject to the provisions of this lease dealing with damage, destruction, and condemnation, it is intended by the parties to this agreement that Landlord have no obligation, in any manner whatsoever, to repair or maintain the Premises, the improvements located on them, or the equipment in them, whether structural or non-structural, all of which obligations are intended to be that of the Tenant under paragraph 7 1 Tenant expressly waives the benefit of any statute now

or in the future in effect to the extent it is inconsistent with the terms of this Lease with respect to, or which affords Tenant the right to make repairs at the expense of Landlord or to terminate this Lease by reason of any needed repairs

7 3 Alterations

(a) Definitions, Consent Required The term "Trade Fixtures" will mean Tenant's machinery and equipment that can be removed without doing material damage to the Premises The term "Alterations" will mean any modification of the improvements on the Premises from that which exist on the Commencement Date, other than Trade Fixtures Tenant may not make any Alterations in, on, under or about the Premises without Landlord's prior written consent Tenant may, however, make non-structural Alterations to the interior of the Premises (excluding the roof), as long as they are not visible from the outside, do not involve puncturing, relocating or removing the roof or any existing walls, and the cumulative cost of them during the term of this Lease as extended does not exceed $25,000

(b) Consent Any Alterations that Tenant may desire to make and which require the consent of the Landlord must be presented to Landlord in written form with proposed detailed plans All consents given by Landlord will be considered conditioned upon (i) Tenant's acquiring all applicable permits required by governmental authorities, (ii) the furnishing of copies of these permits together with a copy of the plans and specifications for the Alterations to Landlord prior to commencement of the work on them, and (iii) the compliance by Tenant with all conditions of the permits in a prompt and expeditious manner Any Alterations by Tenant during the term of this Lease must be done in a good and workmanlike manner, with good and sufficient materials, and in compliance with all Applicable Law Landlord may condition its consent to any requested Alterations upon Tenant's providing Landlord with a lien and completion bond in an amount equal to one and one-half times the estimated cost of the Alterations

(c) Indemnification Tenant must pay, when due, all claims for labor or materials furnished or alleged to have been furnished to or for Tenant at or for use on the Premises, which claims are or may be secured by any mechanics, or materialmen's lien against the Premises or any interest in them Tenant must give Landlord not less than ten (10) days' notice prior to the beginning of any work in, on or about the Premises, and Landlord will have the right to post notices of non-responsibility in or on the Premises as provided by law If Tenant, in good faith, contests the validity of any lien, claim or demand, then Tenant may, at its sole expense defend and protect itself, Landlord and the Premises against the same and must pay and satisfy any the adverse judgment that may be rendered on it before the enforcement of it against the Landlord or the Premises If Landlord requires, Tenant must furnish to Landlord a surety bond satisfactory to Landlord in an amount equal to one and one-half times the amount of the contested lien claim or demand, indemnifying Landlord against liability for the same, as required by law for the holding of the Premises free from the effect of the lien or claim In addition, Landlord may require Tenant to pay Landlord's attorney fees and costs in participating in the action if Landlord decides it is in its best interest to do so

(d) **Ownership** All Alterations will, at the expiration or earlier termination of this Lease, become the property of Landlord and will remain upon and be surrendered by Tenant with the Premises

7 4 Initial Construction

Landlord and Tenant acknowledge that as of the signing of this Lease, the Premises consist of vacant land, and a building must be constructed to accommodate Tenant's intended use Tenant will comply with the provisions of section 7 3 of this Lease with reference to the construction Tenant will begin construction of the Restaurant as soon as permits for the same are available, and diligently prosecute the construction/remodeling to completion and the initial opening of the Restaurant, all at Tenants sole cost and expense Prior to the beginning of construction, Tenant must provide Landlord with reasonable verification that Tenant has sufficient funds available to cover the cost of construction (including fixturization) of the Restaurant

8 Insurance, Indemnity

8 1 Liability Insurance

(a) **Carried by Tenant** At all times during the term of this Lease Tenant shall, at Tenant's sole cost and expense, procure and maintain in full force and effect broad form commercial general liability insurance protecting against claims for bodily injury, personal injury, death, and property damage arising out of the ownership, use, occupancy, and maintenance of the Premises This insurance must contain a limit of liability of not less than $2,000,000 per occurrence and $4,000,000 in the aggregate, by any combination of liability or umbrella policies The deductible on this insurance shall be not more than $5,000, and Tenant shall be responsible for any deductible This insurance must on an occurrence basis and contain a "separation of insureds" clause (or equivalent), a "cross-liability" endorsements, and standard contractual liability provisions covering Tenant's indemnity obligations under this Lease Landlord and any lender identified by Landlord in writing shall be named as an additional insureds on this insurance No more often than once every ten years during the term of this Lease, Landlord may require Tenant to increase the limits of liability on this insurance to an amount that is consistent with the prudent but reasonable insurance requirements for commercial leased properties in Southern California

(b) **Carried By Landlord** Landlord may, at its option, maintain liability insurance, in addition to, and not in lieu of, the insurance required to be maintained by Tenant Tenant will not be named as an additional insured in it, and the maintenance of the insurance by Landlord will not relieve Tenant of its obligations under this paragraph

8 2 Property Insurance -- Building, Improvements and Rental Value At all times during the term of this Lease Tenant shall, at Tenant's sole cost and expense, procure and maintain in full force and effect so called special form property insurance (commonly referred to as "all risk" or "special perils" coverage) in an amount

equal to the full replacement cost of all improvements existing at the Premises, without deduction for depreciation This insurance must be on an agreed amount basis for the full replacement cost of the improvements, and not on a co-insurance basis This insurance must include coverage for any code required upgrades, fire, lightning, sprinkler leakage, vandalism, theft, malicious mischief and special extended perils (all risk) The policy must include business interruption coverage that will cover all rent due Landlord and property taxes for at least twelve months, debris removal, flood (if the Premises is located in a an area subject to flooding as shown by the national flood control maps), earthquake (if required by Landlord's lender), and such other insurance coverage as Landlord or its lender may reasonably require The deductible on this insurance shall be not more than $5,000, and Tenant shall be responsible for any deductible Landlord, and any lender identified by Landlord in writing must be names as loss payees on such insurance Unless the parties otherwise agree in writing, the proceeds of any insurance must be used to reconstruct the improvements at the Premises, and Landlord may require that such proceeds be deposited with Landlord or into an escrow or builder's control to insure that the proceeds are available to pay for the costs of reconstruction

8 3 Tenant's Property Insurance Tenant must maintain insurance coverage on all of Tenant's personal property in, on, or about the Premises similar in coverage to that carried by Tenant under paragraph 8 2(a) This insurance will be full replacement cost coverage with a deductible of not to exceed $1,000 per occurrence The proceeds from any such insurance will be used by Tenant for the replacement of personal property

8 4 Waiver of Subrogation All policies of insurance required under this agreement must include a clause or endorsement denying the insurer any rights of subrogation against the other party Landlord and Tenant waive any rights of recovery against the other for injury or loss due to hazards covered by policies of to the extent covered by such policies

8 5 Insurance Policies Insurance required under this agreement must be by companies properly licensed or approved to transact business in the state where the Premises are located, and maintaining during the policy term a "General Policyholders Rating" of at least A, or any other rating that may be required by any lenders having a lien on the Premises, as stated in the most current issue of "Best's Insurance Guide " Tenant may not do or permit to be done anything which will invalidate the insurance policies referred to in this paragraph 8 Tenant must cause to be delivered to Landlord certified copies of policies of any insurance or certificates evidencing the existence and amounts of the insurance with the insureds and loss payable clauses as required by this Lease Any certificate of insurance must indicate that a waiver of subrogation has been included in the policy All insurance policies required by this Lease must contain an endorsement or provisions affording an unqualified thirty (30) days notice of cancellation to the additional insured in the event of a cancellation, non-renewal or material reduction in coverage, and ten (10) days notice of cancellation for non-payment of premium Within 10 days of written request Tenant shall provide certificates of insurance, or copies of the complete insurance policies, evidencing the

existence of the insurance coverages required by this Lease If Tenant fails to secure and maintain any required insurance, Landlord shall have the right (without any obligation to do so, however) to secure same in which event the Tenant shall pay the costs thereof and furnish upon demand all information that may be required in connection therewith Nothing contained herein shall reduce Tenant's Indemnity obligations under this Lease

8 6 Indemnity Except for losses caused by Landlord's gross negligence or willful misconduct, Tenant must indemnify, protect, defend and hold harmless the Premises, Landlord and its agents, constituent parties, shareholders, officers, directors, employees and lenders, from and against any and all claims, damages, costs, liens, judgments, penalties, permits, attorney's and consultant's fees, expenses and/or liabilities arising out of, involving, or in dealing with, the occupancy of the Premises by Tenant, the conduct of Tenant's business, any act, omission or neglect of Tenant, its agents, contractors, employees or invitees, and out of any default or breach by Tenant in the performance in a timely manner of any obligation on Tenant's part to be performed under this Lease The foregoing will include, but not be limited to the defense or pursuit of any claim or any action or proceeding involved in it, and whether or not (in the case of claims made against Landlord) litigated and/or reduced to judgment, and whether well founded or not In case any action or proceeding be brought against Landlord by reason of any of the foregoing matters, Tenant upon notice from Landlord must defend the same at Tenant's expense by counsel reasonably satisfactory to Landlord and Landlord will cooperate with Tenant in the defense Landlord need not have first paid any such claim to be so indemnified

9 Damage or Destruction

9 1 Damage or Destruction If the Premises are damaged or destroyed, whether partially or totally, and whether or not the damage or destruction was caused by an event required to be covered by insurance, this Lease will continue in full force and effect Tenant must give Landlord immediate notice of any such damage or destruction Except as provided below, Tenant must, as soon as reasonably possible, repair or restore the Premises to the condition which existed immediately prior to the event which caused the damage or destruction, subject to any upgrading or other changes required by Applicable Law

9 2 Effect on Rent Tenant's obligations to pay rent and other charges due under this Lease will continue in spite of any damage or destruction of the Premises (unless the Lease is terminated by Landlord in accordance with the provisions of this Lease) In spite of the foregoing, rent will be abated during any period of repair or restoration to the extent that Landlord actually collects the proceeds of any business interruption insurance

9 3 Damage Near End of Term If at any time during the last twelve (12) months of the term of this Lease there is damage for which the cost to repair exceeds one (1) month's rent, whether or not an insured loss and notwithstanding anything to the contrary contained in this Lease, Landlord may, at Landlord's option,

terminate this Lease effective sixty (60) days following the date of occurrence of the damage by giving written notice to Tenant of Landlord's election to do so within thirty (30) days after the date of occurrence of the damage However, if Tenant at that time has an exercisable Option to extend this Lease, then Tenant may preserve this Lease by, within twenty (20) days following the occurrence of the damage, or before the expiration of the time provided in the Option for its exercise, whichever is earlier ("Exercise Period"), (i) exercising the Option and (ii) providing Landlord with any shortage in insurance proceeds (or adequate assurance of them) needed to make the repairs If Tenant properly exercises the Option during the Exercise Period and provides Landlord with funds (or adequate assurance of them) to cover any shortage in insurance proceeds, this Lease will continue in full force and effect If Tenant fails to exercise the Option or provide the funds or assurance during the Exercise Period, then Landlord may at Landlord's option terminate this Lease as of the expiration of the sixty (60) day period

10 Real Property Taxes

10 1 (a) Payment of Taxes Tenant must pay the Real Property Taxes, as defined below, applicable to the Premises during the term of this Lease If any such taxes to be paid by Tenant cover any period of time prior to or after the expiration or earlier termination of the term of this Lease, Tenant's share of the taxes will be equitably prorated to cover only the period of time within the tax fiscal year this Lease is in effect, and Landlord will reimburse Tenant for any overpayment after the proration If Tenant fails to pay any Real Property Taxes required by this Lease to be paid by Tenant, Landlord will have the right to pay the same, and Tenant must reimburse Landlord for it upon demand

(b) Advance Payment Landlord reserves the right, at Landlord's option, to either (i) require the current year's Real Property Taxes to be paid in a lump sum amount equal to the installment due, at least twenty (20) days prior to the applicable delinquency date, in which case Landlord will provide Tenant copies (or the originals) of any bills for Real Property Taxes so as to enable Tenant to comply with its obligations under this agreement and Tenant must promptly furnish Landlord with satisfactory evidence that the taxes have been paid, or (ii) estimate the current Real Property Taxes applicable to the Premises, and to require the current year's Real Property Taxes to be paid in 1/12 per month together with the payment of the rent If Landlord elects to require payment monthly in advance, the monthly payment will be that equal monthly amount which, over the number of months remaining before the month in which the applicable tax installment would become delinquent (and without interest on it), would provide a fund large enough to fully discharge before delinquency the estimated installment of taxes to be paid When the actual amount of the applicable tax bill is known, the amount of the equal monthly advance payment will be adjusted as required to provide the fund needed to pay the applicable taxes before delinquency If the amounts paid to Landlord by Tenant under the provisions of this paragraph are insufficient to discharge the obligations of Tenant to pay the Real Property Taxes as the same become due, Tenant must pay Landlord, upon Landlord's demand, any additional

sums that are necessary to pay the obligations All moneys paid to Landlord under this paragraph may be intermingled with other moneys of Landlord and will not bear interest

10 2 Definition of "Real Property Taxes" As used in this Lease, the term "Real Property Taxes" includes any form of general or special assessment, ad valorem tax, business tax, business license fee, gross receipts tax, or other imposition (other than personal income, inheritance, or estate taxes), imposed by any authority having the direct or indirect power to tax or assess the Premises, Landlord's interest in the Premises, or the rents generated by the Premises

10 3 Personal Property Taxes Tenant will pay prior to delinquency, any tax on Tenant's Trade Fixtures, furnishings, equipment and all personal property of Tenant contained in the Premises or elsewhere When possible, Tenant will cause its Trade Fixtures, furnishings, equipment and all other personal property to be assessed and billed separately from the real property of Landlord

11 Utilities Tenant will be solely responsible for procuring and paying for any and all utility services which Tenant may require in its use and operation of the Premises including, but not limited to electricity, natural gas, oil, water, heat, light, trash disposal and telephone service Tenant will also be responsible for any hook-ups or other installations required to obtain any of the utility services

12 Assignment and Subletting

12 1 Landlord's Consent Required

(a) Tenant may not voluntarily or by operation of law assign or transfer (collectively, "assignment") or sublet all or any part of Tenant's interest in this Lease or in the Premises without Landlord's prior written consent, which consent may not be unreasonable withheld, conditioned, or delayed

12 2 Terms and Conditions Applicable to Assignment and Subletting

(a) Regardless of Landlord's consent, any assignment or subletting will not (i) be effective without the express written assumption by the assignee or sublessee of the obligations of Tenant under this Lease, (ii) release Tenant of any obligations under this agreement, or (iii) alter the primary liability of Tenant for the payment of rent and other sums due Landlord under this agreement or for the performance of any other obligations to be performed by Tenant under this Lease

(b) Landlord may accept any rent or performance of Tenant's obligations from any person other than Tenant pending approval or disapproval of an assignment or subletting Neither a delay in the approval or disapproval, nor the acceptance of any rent or performance, will constitute a waiver or estoppel of Landlord's right to exercise its remedies for the default or breach by Tenant of any of the terms, covenants or conditions of this Lease

(c) The consent of Landlord to any assignment or subletting will not constitute a consent to any subsequent assignment or subletting by Tenant or to any subsequent or successive assignment or subletting by the sublessee

(d) Each request for consent to an assignment or subletting will be in writing, and Tenant will provide Landlord any information (including tax returns and financial statements of the proposed assignee or sublessee) reasonably requested by Landlord to evaluate the financial and operational responsibility and appropriateness of the proposed assignee or sublessee, together with a non-refundable deposit of $250 as reasonable consideration for Landlord's considering and processing the request for consent

(e) Any assignee of, or sublessee will be considered to have assumed and agreed to conform and comply with each and every term, covenant, condition and obligation to be observed or performed by Tenant during the term of this Lease, other than any obligations as to which Landlord has specifically consented in writing

12 3 Leasehold Mortgage

(a) Tenant may mortgage, encumber, or convey its leasehold estate under this Lease to a lender as security for the repayment of a loan The term "lender" as used in this Lease will mean any beneficiary, mortgagee, secured party, or other holder of a promissory note or other written obligation which is secured by any deed of trust, mortgage or other written security agreement ("Leasehold Mortgage")

(b) With respect to any lender who has delivered to Landlord a written notice which states the name, address and a general description of the type of lien it holds on the leasehold estate, the following provisions will apply

(i) Landlord when giving notice to Tenant with respect to any default or termination under the provisions of this Lease must also serve a copy of the notice upon any lender, and no such notice to Tenant will be effective unless and until a copy of the notice is so served upon lender All acts or things done and performed by lender to cure any default will be accepted by Landlord and be as effective to cure any default as if done or performed by Tenant

(ii) Lender may acquire and succeed to the interest of Tenant under this agreement by foreclosure of the Leasehold Mortgage or by deed in lieu of foreclosure and may assign the leasehold estate to a purchaser from lender However, any person acquiring the leasehold estate must sign an agreement assuming Tenant's obligations under this Lease Upon signing of an assumption agreement by any person acquiring the leasehold estate from lender, lender must thereupon be released from any further liability under the Lease

(iii) In the event of a default by Tenant in the payment of rent or other sum, lender may pay the rent or other sum to Landlord, and in spite of anything in this Lease to the contrary, lender's right to prevent the termination or forfeiture will exist

for a period of thirty (30) days after expiration of the period during which Tenant may cure a default in payment of rent

13 Default, Breach, Remedies

13 1 Default Landlord and Tenant agree that if an attorney is consulted by Landlord in connection with a Tenant default or breach of this Lease, $350 is a reasonable sum per such occurrence for legal services and costs in the preparation and service of notice of default or breach, and Landlord may include the sum of $350 00 in the notice as rent due and payable to cure the default A "default" is defined as a failure by the Tenant to observe, comply with or perform any of the terms, covenants, conditions or rules applicable to Tenant under this Lease, or the occurrence of any one or more of the following events

(a) The vacating of the Premises without the intention to reoccupy same, or the abandonment of the Premises

(b) Except as expressly otherwise provided in this Lease, the failure by Tenant to make any payment of rent or any other monetary payment required to be made by Tenant under this agreement, whether to Landlord or to a third party, as and when due, where the failure continues for a period of three (3) days following written notice by or on behalf of Landlord to Tenant

(c) A failure by Tenant to comply with any of the terms, covenants, conditions or provisions of this Lease that are to be observed, complied with or performed by Tenant, other than those described in subparagraphs (a) or (b), above, where the default continues for a period of thirty (30) days after written notice by or on behalf of Landlord to Tenant However, if the nature of Tenant's default is such that more than thirty (30) days are reasonably required for its cure, then it will not be considered to be a breach of this Lease by Tenant if Tenant begins the cure within the thirty (30) day period and thereafter diligently prosecutes the cure to completion

(d) The occurrence of any of the following events (i) The making by lessee of any general arrangement or assignment for the benefit of creditors, (ii) Tenant's becoming a "debtor" as defined in 11 U S C § 101 or any successor statute to it (unless, in the case of a petition filed against Tenant, the same is dismissed within sixty (60) days), (iii) the appointment of a trustee or receiver to take possession of substantially all of Tenant's assets located at the Premises or of Tenant's interest in this Lease, where possession is not restored to Tenant within thirty (30) days However, if any provision of this subparagraph (d) is contrary to any Applicable Law, the provision will be of no force or effect and will not affect the validity of the remaining provisions

(e) The discovery by Landlord that any financial statement given to Landlord by Tenant or any Guarantor was materially false when given

(f) Termination, for any reason of the FARMER BOYS® Franchise Agreement for the Restaurant to be operated in the Premises

(g) If the performance of Tenant's obligations under this Lease is guaranteed (i) the termination of a guarantor's liability with respect to this Lease other than in accordance with the terms of the guaranty, (ii) a Guarantor's becoming insolvent or the subject of a bankruptcy filing, (iii) a Guarantor's refusal to honor the guaranty, or (iv) a Guarantor's breach of its guaranty obligation on an anticipatory breach basis, and Tenant's failure, within sixty (60) days following written notice by or on behalf of Landlord to Tenant of any the event, to provide Landlord with written alternative assurance or security, which, when coupled with the then existing resources of Tenant, equals or exceeds the combined financial resources of Tenant and the Guarantors that existed at the time of signing of this Lease

13 2 Remedies If Tenant fails to perform any obligation under this Lease Landlord may at its option (but without obligation to do so), perform the obligation on Tenant's behalf, including but not limited to the obtaining of reasonably required bonds, insurance policies, or governmental licenses, permits or approvals The costs and expenses of any such performance by Landlord will be due and payable by Tenant to Landlord upon invoice If any check given to Landlord by Tenant is not honored by the bank upon which it is drawn, Landlord, at its option, may require all future payments to be made under this Lease by Tenant to be made only by cashier's check If of a default under this Lease by Tenant, and without limiting Landlord in the exercise of any right or remedy which Landlord may have by reason of the default, Landlord may

(a) Terminate Tenant's right to possession of the Premises by any lawful means, in which case this Lease and the term of this Lease will terminate and Tenant will immediately surrender possession of the Premises to Landlord In that event, Landlord will be entitled to receive from Tenant (i) the worth at the time of the award of the unpaid rent which had been earned at the time of termination, (ii) the worth at the time of award of the amount by which the unpaid rent which termination until the time of award exceeds the amount of any rental loss that the Tenant proves could have been reasonably avoided, (iii) the worth at the time of award of the amount by which the unpaid rent for the balance of the term after the time of award exceeds the amount of any rental loss that the Tenant proves could be reasonably avoided, and (iv) any other amount necessary to compensate Landlord for all the detriment proximately caused by the Tenant's failure to perform its obligations under this Lease or which in the ordinary course of things would be likely to result from it, including but not limited to the cost of recovering possession of the Premises, expenses of reletting, including necessary renovation and alteration of the Premises, reasonable attorney fees, and that portion of any leasing commission paid by Landlord applicable to the unexpired term of this Lease The worth at the time of award of the amount referred to in provision (iii) of the prior sentence will be computed by discounting the amount at the discount rate of the Federal Reserve Bank of San Francisco at the time of award plus one percent (1%) Efforts by Landlord to mitigate damages caused by Tenant's default or breach of this Lease will not waive Landlord's right to recover damages under this paragraph If termination of this Lease is obtained through the provisional remedy of unlawful detainer, Landlord will have the right to recover in the proceeding the unpaid rent and damages that are recoverable in it, and Landlord will also have the right to recover additional rent or damages in a separate suit for the rent and/or damages

(b) Continue the Lease and Tenant's right to possession in effect (in California under California Civil Code Section 1951 4) after Tenant's breach and abandonment and recover the rent as it becomes due

(c) Pursue any other remedy now or hereafter available to Landlord under the laws or judicial decisions of the state wherein the Premises are located

(d) The expiration or termination of this Lease and/or the termination of Tenant's right to possession will not relieve Tenant from liability under any indemnity provisions of this Lease as to matters occurring or accruing during the term of this Lease or by reason of Tenant's occupancy of the Premises

13 3 Late Charges If any installment of rent or any other sum due from Tenant is not received by Landlord within five (5) days after the amount is due, then, without any requirement for notice to Tenant, Tenant must pay Landlord a late charge equal to six percent (6%) of the overdue amount Acceptance of the late charge by Landlord will in no event constitute a waiver of Tenant's default or breach with respect to the overdue amount, nor prevent Landlord from exercising any of the other rights and remedies granted under this agreement If a late charge is payable under this agreement, whether or not collected, for three (3) consecutive installments of rent, then in spite of any other provision of this Lease to the contrary, rent must, at Landlord's option, become due and payable quarterly in advance

13 4 Breach by Landlord Landlord will not be considered in breach of this Lease unless Landlord fails within a reasonable time to perform an obligation required to be performed by Landlord For purposes of this paragraph, a reasonable time will in no event be less than thirty (30) days after receipt by Landlord, and by any lenders whose names and addresses have been furnished by Tenant in writing for that purpose, of written notice specifying what obligation of Landlord has not been performed However, if the nature of Landlord's obligation is such that more than thirty (30) days after the notice are reasonably required for its performance, then Landlord will not be in breach of this Lease if performance is begun within the thirty (30) day period and thereafter diligently pursued to completion

14 Condemnation If all or any part of the Premises or any interest therein is taken by condemnation, or is sold to the condemning authority under threat of condemnation (collectively a "taking"), the rights and obligations of Landlord and Tenant shall be determined pursuant to this section of this Lease, and the parties hereby waive the provisions of California Code of Civil Procedure Section 1265 130 If the whole of the Premises is taken as a result of a condemnation, this Lease shall terminate as of the date the condemning authority takes possession of the Premises If a portion of the Premises are taken as a result of a condemnation and the remaining portion would not, in the reasonable judgment of Tenant, be adequate for the continued operation of Tenant's business, then Tenant shall have the right to terminate this Lease, by written notice to Landlord, no later than 90 days after the date the condemning authority takes possession of the Premises Landlord and Tenant may each pursue any condemnation award to which it is entitled by applicable law, provided, however (i) in no event shall

Tenant be entitled to any so called lease bonus value or leasehold estate value, or severance damages, (ii) in no event may Tenant pursue an award that will have the effect of reducing any award to Landlord for Landlord's interest in the property or improvements pertaining to the realty, and (iii) in no event will there be an abatement of the rent called for in this Lease

If a portion of the Premises is taken under the power of eminent domain, and the Tenant in the exercise of reasonable judgment determines that the remaining portion of said Premises would not be adequate for the continuation of Tenant's business, and if Landlord does not agree with Tenant's determination, then Landlord and Tenant shall promptly proceed to have the matter arbitrated in accordance with the Commercial Arbitration Rules of the American Arbitration Association and such determination shall be final and binding upon the parties hereto

15 Brokers

Tenant and Landlord each represent and warrant to the other that it has had no dealings with any person, firm, broker or finder in the negotiation of this Lease and/or the consummation of the transaction contemplated hereby, and that no broker or other person, firm or entity other than the named Brokers is entitled to any commission or finder's fee in the transaction Tenant and Landlord do each hereby agree to indemnify, protect, defend and hold the other harmless from and against liability for compensation or charges which may be claimed by any such unnamed broker, finder or other similar party by reason of any dealings or actions of the indemnifying party, including any costs, expenses, attorney fees reasonably incurred with respect to them

16 Tenancy Statement

16 1 Tenant will, within ten (10) days after written notice from Landlord, sign, acknowledge and deliver to Landlord a statement in writing certifying (i) that none of the terms or provisions of this Lease have been changed (or if they have been changed, stating how they have been changed), (ii) that this Lease has not been canceled or terminated, (iii) that the last date of payment of the rent and other charges and the time period covered by the payments, (iv) that Landlord is not in default under this Lease (or, if Landlord is claimed to be in default, stating why), and (v) any other information that may be reasonably requested by Landlord relative to this Lease Any such statement by Tenant may be given by Landlord to any prospective purchaser or encumbrancer of the Premises and the purchaser or encumbrancer may rely conclusively upon the statement as true and correct

16 2 If Tenant does not deliver the statement to Landlord within the ten (10) day period, in addition to the remedies of Landlord under paragraph 13 1, Landlord, and any prospective purchaser or encumbrancer, may conclusively presume and rely upon the following facts (i) that the terms and conditions of this Lease have not been changed except as otherwise represented by Landlord, (ii) that this Lease has not been canceled or terminated except as otherwise represented by Landlord, (iii) that not more than one month's rent or other charges have been paid in advance, and (iv) that

Landlord is not in default under the Lease In that event, Tenant will be estopped from denying the truth of the facts

16 3 If Landlord wishes to finance, refinance, or sell the Premises, any part of them, or the building of which the Premises are a part, Tenant will deliver to any potential lender or purchaser designated by Landlord any financial statements of Tenant that may be reasonably required by the lender or purchaser, including but not limited to Tenant's financial statements for the past three (3) years All the financial statements will be received by Landlord and such lender or purchaser in confidence and will be used only for the purposes in this Lease stated

17 Landlord's Liability The term "Landlord" that used in this Lease will mean the owner or owners at the time in question of the fee title to the Premises If of a transfer of Landlord's fee title or interest in the Premises, Landlord will deliver to the transferee or assignee (in cash or by credit) any unused security deposit held by Landlord at the time of the transfer or assignment Upon the transfer or assignment and delivery of the security deposit, the prior Landlord will be relieved of all liability with respect to the obligations and/or covenants under this Lease thereafter to be performed by the Landlord, and the transferee of Landlord will be considered to have assumed all of the obligations under this Lease to be performed by Landlord from and after the date of the transfer

18 Severability The invalidity of any provision of this Lease, that determined by a court of competent jurisdiction, will in no way affect the validity of any other provision of this Lease

19 Interest on Past-Due Obligations Any monetary payment due Landlord under this agreement, other than late charges, not received by Landlord within thirty (30) days following the date on which it was due, will bear interest from the date it was due at the rate of 10% per year

20 Time of Essence Time is of the essence with respect to the performance of all obligations to be performed or observed by the parties under this Lease

21 Rent Defined All monetary obligations of Tenant to Landlord under the terms of this Lease are considered to be rent

22 No Prior or Other Leases This Lease contains all agreements between the parties with respect to any matter mentioned in this Lease and no other prior or contemporaneous agreement or understanding will be effective

23 Notices Any notice or demand which either party would like to give to the other under the provisions of this Lease will be in writing and either personally delivered, or sent by first class or certified mail or overnight courier, to the parties at the addresses stated above Either party may change its address for notice by giving notice in the manner stated above

24 Waivers No waiver by Landlord of the default or breach of any term, covenant or condition of this Lease by Tenant, will be considered a waiver of any other term, covenant or condition of this Lease, or of any subsequent default or breach by Tenant of the same or of any other term, covenant or condition of this Lease Landlord's consent to, or approval of, any act will not be considered to render unnecessary the obtaining of Landlord's consent to, or approval of, any subsequent or similar act by Tenant, or be construed that the basis of an estoppel to enforce the provision of provisions of this Lease requiring the consent Regardless of Landlord's knowledge of a default or breach at the time of accepting rent, the acceptance of rent by Landlord will not be a waiver of any preceding default or breach by Tenant of any provision of this Lease, other than the failure of Tenant to pay the particular rent so accepted

25 Memorandum of Lease Landlord and Tenant agree to sign a Memorandum of Lease, and to cause the same to be recorded, within ten (10) days of demand by either party Tenant shall pay any recording fees or documentary transfer taxes resulting from the recordation of the Memorandum of Lease

26 Cumulative Remedies No remedy or election under this agreement will be considered exclusive but will, wherever possible, be cumulative with all other remedies at law or in equity

27 Covenants and Conditions All provisions of this Lease to be observed or performed by Tenant are both covenants and conditions

28 Binding Effect -- Choice of Law This Lease will be binding upon the parties, their personal representatives, successors and assigns (subject to the restrictions on assignment in this Lease) and be governed by the laws of the State in which the Premises are located Any litigation between the parties to this agreement concerning this Lease will be initiated in the county in which the Premises are located

29 Subordination, Attornment, Non-Disturbance

29 1 Subordination This Lease and any Options granted hereby will be subject and subordinate to any mortgage, deed of trust, or other hypothecation or security device (collectively, "Security Device"), now or hereafter placed by Landlord upon the real property of which the Premises are a part, to any and all advances made on the security of them, and to all renewals, modifications, consolidations, replacements and extensions of them Tenant agrees that it will give notice of Landlord's default to any lender whose name and address have been furnished Tenant in writing for the purpose If any lender will elect to have this Lease and/or any Options granted hereby superior to the lien of its Security Device and will give written notice of them to Tenant, either before or after the foreclosure of the Security Device, this Lease and the Options will be considered prior to the Security Device, in spite of the relative dates of the documentation or recordation of them

29 2 Attornment Subject to the non-disturbance provisions stated below, Tenant agrees to attorn to Landlord's lender or any other party who acquires

ownership of the Premises by reason at a foreclosure of a Security Device, and that in the event of the foreclosure, the new owner will not (i) be liable for any act or omission of any prior Landlord or with respect to events occurring prior to acquisition of ownership by the new owner, (ii) be subject to any offsets or defenses which Tenant might have against any prior Landlord, or (iii) be bound by prepayment of more than one (1) month's rent

29 3 Non-Disturbance With respect to Security Devices entered into by Landlord after the signing of this Lease, Tenant's subordination of this Lease and its obligation to attorn will be subject to the condition that Tenant's possession of the Premises and this Lease, including any Options to extend the term of this Lease, will not be disturbed so long that Tenant faithfully performs its obligations under this Lease

29 4 Self-Signing The agreements contained in this paragraph of this Lease will be effective without the signing of any further documents However, within 10 days of written request from Landlord or a lender in a sale, financing or refinancing of the Premises, Tenant and Landlord will sign any further writings that may be reasonably required to separately document any subordination or non-subordination, attornment or non-disturbance agreement that is provided for in this Lease

30 Attorneys' fees If any party brings an action or proceeding to enforce the terms of this Lease or declare rights under this agreement, the Prevailing party will be entitled to reasonable attorney fees and costs of suit Landlord will be entitled to attorney fees, costs and expenses incurred in the preparation and service of notices of default and consultations in connection with them, whether or not a legal action is subsequently began in the default or resulting breach Landlord will also be entitled to attorney fees, costs and expenses incurred in any bankruptcy proceeding involving Tenant, including relief from stay litigation

31 Landlord's Access -- Showing Premises, Repairs Landlord and Landlord's agents will have the right to enter the Premises at any time, in the case of an emergency, and otherwise at reasonable times for the purpose of showing the same to prospective purchasers, lenders, or lessees, and making any alterations, repairs, improvements or additions to the Premises or to the building of which they are a part, that Landlord may reasonably consider necessary Landlord may at any time place on or about the Premises or building any ordinary "For Sale" signs and Landlord may at any time during the last one hundred eighty(180) days of the term of this Lease place on or about the Premises any ordinary "For Lease" signs All such activities of Landlord will be without abatement of rent or liability to Tenant

32 Signs Tenant will not place any sign upon the Premises, except any signs that are reasonably required to advertise Tenant's own business The installation of any sign on the Premises by or for Tenant will be subject to any Applicable Laws

33 Termination, Merger Unless specifically stated otherwise in writing by Landlord, the voluntary or other surrender of this Lease by Tenant, the mutual termination or cancellation of this Lease, or a termination of this Lease by Landlord for breach by

Tenant, will automatically terminate any sublease of lesser estate in the Premises However, Landlord will, if of any such surrender, termination or cancellation, have the option to continue any one or all of any existing subtenancies Landlord's failure within ten (10) days following any such event to make a written election to the contrary by written notice to the holder of any such lesser interest, will constitute Landlord's election to have the event constitute the termination of the interest

34 Consents Except that otherwise provided in this Lease, wherever in this Lease the consent of a party is required to an act by or for the other party, the consent will not be unreasonably withheld or delayed

35 Guarantors If there any Guarantors of this Lease, each the Guarantor will have the same obligations that Tenant under this Lease It will constitute a default of the Tenant under this Lease if any such Guarantor fails or refuses, upon reasonable request by Landlord to give (a) current financial statements of Guarantor that may from time to time be requested by Landlord, (b) a Tenancy Statement, or (c) written confirmation that the guaranty is still in effect

36 Quiet Possession Upon payment by Tenant of the rent for the Premises and the observance and performance of all of the covenants, conditions and provisions on Tenant's part to be observed and performed under this Lease, Tenant will have quiet possession of the Premises for the entire term of this Lease subject to all of the provisions of this Lease

37 Options

37 1 Multiple Options If Tenant has any Multiple Options to extend or renew this Lease, a later Option cannot be exercised unless the prior Options to extend or renew this Lease have been validly exercised

37 2 Effect of Default on Options Tenant will have no right to exercise an Option, in spite of any provision in the grant of Option to the contrary (i) during the period beginning with the giving of any notice of default under this Lease and continuing until the noticed default is cured, or (ii) if Landlord has given to Tenant five (5) or more written notices of default under this Lease, whether or not the defaults are cured, at any time during the five (5) years immediately preceding the date that Tenant gives written notice of its exercise of its Option to extend the term of this Lease The period of time within which an Option may be exercised will not be extended or enlarged by reason of Tenant's inability to exercise an Option because of the provisions of this sub-paragraph

38 Security Measures Tenant hereby acknowledges that the rental payable to Landlord under this agreement does not include the cost of guard service or other security measures, and that Landlord will have no obligation whatsoever to provide same Tenant assumes all responsibility for the protection of the Premises, Tenant, its agents and invitees and their property from the acts of third parties

39 Reservations Landlord reserves to itself the right, from time to time, to grant, without the consent or joinder of Tenant, any easements, rights and dedications that

Landlord considers necessary, and to cause the recordation of parcel maps and restrictions, so long that the easements, rights, dedications, maps and restrictions do not unreasonably interfere with the use of the Premises by Tenant Tenant agrees to sign any documents reasonably requested by Landlord to effectuate any such easement rights, dedication, map or restrictions

40 Performance Under Protest If at any time a dispute will arise that to any amount or sum of money to be paid by one party to the other under the provisions of this Lease, the party against whom the obligation to pay the money is asserted will have the right to make payment "under protest" and the payment will not be regarded that a voluntary payment and there will survive the right on the part of the party to institute suit for recovery of the sum

41 Authority If either party to this agreement is a corporation, trust, general or limited partnership, or limited liability company or partnership, each individual signing this Lease on behalf of the entity represents and warrants that he or she is properly authorized to sign and deliver this Lease on its behalf If Tenant is a corporation, trust, general or limited partnership, or limited liability company or partnership, Tenant will, within thirty (30) days after request by Landlord, deliver to Landlord evidence satisfactory to Landlord of the authority

42 Conflict Any conflict between the pre-printed provisions of this Lease and any typewritten or handwritten provisions will he controlled by the typewritten or handwritten provisions

43 Offer Preparation of this Lease by Landlord or Tenant and the exchange of comments or drafts of this Lease will not be considered a contract between the parties This Lease is not intended to be binding unless and until it is signed by all parties to this agreement

44 Amendments This Lease may be modified only in writing, signed by the parties in interest at the time of the modification That long that they do not materially change Tenant's obligations under this agreement, Tenant agrees to make the reasonable non-monetary modifications to this Lease that may be reasonably required by an institutional, insurance company, or pension plan lender in the obtaining of normal financing or refinancing of the property of which the Premises are a part

45 Multiple Parties Except that otherwise expressly provided in this Lease, if more than one person or entity is named in this Lease that either Landlord or Tenant, the obligations of the multiple parties will be the joint and several

REMAINDER OF PAGE INTENTIONALLY LEFT BLANK

IN WITNESS TO WHICH, Landlord and Tenant have signed this Lease as of the date stated above

_____

By _____

Print Name _____

Print Title _____

Address

_____

_____

TENANT

_____

By _____

Print Name _____

Title, if any _____

Address

_____

_____

Exhibit A

EXHIBIT G
Asset Purchase Agreements

Exhibit G - 1

ASSET PURCHASE AGREEMENT

This ASSET PURCHASE AGREEMENT (this "**Agreement**") is made and entered into as of this __ day of _____, 20__, by and between _____, a(n) _____ ("**Seller**"), and _____, a(n) _ _____ ("**Buyer**")

RECITALS

A Seller is an entity affiliated with Farmer Boys Food, Inc , a California corporation ("**FBF**")

B Seller owns the assets (the "**Purchased Assets**") used in the operation of a "Farmer Boys" restaurant business (the "**Business**") located on the land legally described on the Exhibit A attached hereto (the "**Land**")

C Seller's fee interest in the [restaurant building] and related improvements constructed on the Land (collectively, the "**Building**") is included in the Purchased Assets

D The Purchased Assets consist only of the assets of Seller listed on Schedule 1(a) attached hereto

E The Business will be operated under and pursuant to a franchise agreement with FBF (the "**Franchise Agreement**")

F Seller desires to sell the Purchased Assets to Buyer on the terms and conditions set forth in this Agreement

NOW, THEREFORE, in consideration of the foregoing recitals and of the covenants, warranties and agreements set forth below and for other valuable consideration received, the parties hereby agree as follows

1 Purchase And Sale Of Assets

(a) Agreement to Purchase and Sell Buyer agrees to purchase from Seller, and Seller agrees to sell to Buyer, effective as of the Effective Time, for the Purchase Price, all Seller's right title and interest, legal, and beneficial, in the Purchased Assets, as the same shall exist on the Closing Date

(b) Excluded Assets It is hereby expressly agreed by the parties to this Agreement that the Purchased Assets shall in no way include the following "**Excluded Assets**"

(i) any right to the Seller's or FBF's trade names, service marks, trademarks, logos, emblems and other indicia or origin used in connection with the Business, (the "**Marks**"), (ii) Seller's and FBF's trade dress, (iii) any right in or to the confidential proprietary information and methods of operation ("**System**") for the operation of the Business as a "Farmer Boy's" Business, including all recipes, or (iv) any and all goodwill associated with the

Marks Buyer's right to use the Marks and the System and to operate the Business as a "Farmer Boy's" Business will be evidenced by, and conducted pursuant to the terms of the Franchise Agreement, executed as provided herein

(ii) Cash, profit-sharing deposits, accounts receivable, any claims by Seller against third parties, tax refunds, prepaid consultant fees, prepaid expenses, escrow and/or trust accounts held by or for the benefit of Seller for any purposes, including, without limitation, prepaid insurance premiums and utility deposits,

(iii) Those permits, if any, which by law cannot be transferred by Seller to Buyer,

(iv) The business records and tax records of Seller, and,

(v) Those items of personal property, if any, listed on Schedule 1(b)(v) hereof

2 Purchase Price As consideration for the purchase and sale of the Purchased Assets, Buyer shall make the following payments and shall assume the following obligations and liabilities of Seller (such payments and the assumption of such obligations and liabilities are referred to collectively as the "**Purchase Price**")

(a) Consideration For Purchased Assets Subject to any adjustments required pursuant to this Agreement, Buyer shall pay to Seller the sum of $_____ at Closing (the "**Cash Consideration**") Payment hereunder shall be by bank or wire transfer of immediately available funds

(b) Assumption of Certain Obligations At the Closing, Seller shall assign to Buyer and Buyer shall assume and agree to timely perform, pay and discharge, on and after the Effective Time, any and all leases, debts, liabilities, or obligations relating or pertaining to the Purchased Assets (the "**Assumed Obligations**"), except that certain [describe any lease or agreement not assumed]

3 Allocation Of Purchase Price Not less than five (5) days prior to Closing, the parties will agree to an allocation of the Purchase Price among the Purchased Assets and an accounting of the "Closing Costs" (as that term is defined in Section 14(f)) to be paid by Buyer upon the Closing, which allocation and accounting will be attached to this Agreement prior to Closing as Schedule 3 The parties hereto will adhere to such allocation for all purposes, including federal and state income tax purposes Seller and Buyer agree to cooperate in preparing and filing IRS Form 8594 reflecting the agreed-upon allocation

4 Mutual Conditions Precedent To Closing The obligation of the parties to enter into and complete the Closing and to consummate the transfer of the Purchased Assets is subject to the receipt, on or prior to the Closing Date, of FBF's Uniform Franchise Disclosure Document, and a Franchise Agreement for the Business along with all other related documents or agreements required by FBF, the Franchise Agreement, or otherwise (the "**Franchise Documents**")

5 Closing

(a) Closing The closing of the transactions contemplated herein and the transfer of the Purchased Assets shall occur on _____ __, 20__ (the "**Closing Date**"), effective as of 12 01 a m (Eastern Time) on the Closing Date (the "**Effective Time**"), at the Business, or such other date and place as the parties may agree (the "**Closing**")

(b) Seller's Deliveries At the Closing, Seller will deliver (or cause to be delivered) to Buyer

(i) the Franchise Documents to which FBF is a party, duly executed by FBF,

(ii) an original executed Bill of Sale and Assignment in substantially the form attached hereto as Exhibit B (the "**Bill of Sale**"), conveying in the aggregate all property included in the Purchased Assets, but specifically excluding the Building,

(iii) a copy of a Grant Deed executed by Seller in substantially the form attached hereto as Exhibit C (the "**Deed**"), conveying to Buyer fee title to the Building,

(iv) an original of a Seller executed counterpart of a Sublease Agreement of the Land substantially in the form attached hereto as Exhibit D (the "**Sublease**"),

(v) originals of Seller executed affidavits pursuant to (1) Internal Revenue Code Section 1445, confirming Seller is not a foreign person and (2) California Revenue and Taxation Code Section 18662 (California Form 593-C) confirming facts to allow Buyer to determine that the sale of the Building is not subject to California withholding, and

(vi) all of Seller's books, records, and files included in the Purchased Assets

(c) Buyer's Deliveries At the Closing, Buyer will deliver to Seller

(i) the Cash Consideration, plus any Closing Costs payable by Buyer to Seller in accordance with the provisions of Section 14(f),

(ii) the Franchise Documents, duly executed by Buyer, along with the initial franchisee fee required to be paid pursuant to the Franchise Agreement,

(iii) an original of a Buyer executed counterpart of the Sublease Agreement,

(iv) the original of the Buyer executed deed of trust encumbering the Building and securing Buyer's performance of its obligations under the Franchise Agreement, substantially in the form attached hereto as Exhibit E (the "**Deed of Trust**"),

(v) all such other instruments and documents as are reasonably necessary to complete the transaction contemplated herein

(vi) All instruments and other documents shall be in form and substance, and shall be executed in a manner that is reasonably satisfactory to Seller

(d) Recordation of Deed and Deed of Trust Within [ten (10) business days] of the closing Seller shall cause the Deed and Deed of Trust to be recorded in the office of the County Recorder of _____ County If Buyer orders an owner's policy of title insurance to be issued in connection with the purchase of the Building, then Buyer shall simultaneously order a lender's

policy of title insurance insuring Seller's interest in the Deed of Trust The owner's policy and the lender's policy are collectively referred to as the "**Title Policies**" If Buyer orders the Title Policies, Buyer shall (i) obtain the Title Policies only from a reputable title insurer (the "**Title Insurer**"), (ii) be responsible for the payment of all premiums in connection with issuance of the Title Policies and (iii) cause the Title Insurer to record the Deed and Deed of Trust

6 Representations And Warranties Of Seller Seller hereby represents, warrants and covenants to Buyer on and as of the date hereof, unless stated to the contrary below, and on and as of the Effective Time as follows

(a) Organization and Good Standing of Seller Seller is a _____ duly organized and in good standing under the laws of the State its incorporation, organization or formation

(b) Authority to Enter Into Agreement Seller has all requisite power, and has obtained the consents, approvals and authorizations necessary to enter into and perform this Agreement and the transactions contemplated herein All necessary consents and actions by Seller (including any necessary consents or actions of the directors and shareholders of Seller) have been obtained This Agreement has been duly executed and delivered by Seller and is a valid and binding obligation, enforceable in accordance with its terms Each agreement, instrument, schedule and other document (other than this Agreement) which is executed and delivered at Closing or which is otherwise executed and delivered in connection with this Agreement, including, without limitation, the Franchise Documents (collectively, the "**Related Documents**") executed and delivered by Seller at Closing shall have been duly executed and delivered by Seller, and shall be the valid and binding obligation of Seller, enforceable in accordance with its respective terms

(c) Purchased Assets Seller has, and shall convey to Buyer on the Closing Date, good and marketable title to all of the Purchased Assets, free and clear of any lien, encumbrance, pledge, mortgage, security interest, claim, lease (excluding the Master Lease (defined below)), special assessment, unsatisfied pre-emptive right, transfer restriction or any other restriction or limitation, except (i) the Assumed Obligations and (ii) any permitted encumbrances listed on Schedule 6(c)(i) A true and complete copy of the ground lease of the Land by and between Seller and _____, as landlord, dated on or about _____, together with any amendments, modifications or supplements thereto, and all easements, appurtenances, servitudes, accessories and components, access and use agreements, ancillary leases, such as additional parking and related agreement(s) relating to the Land (the "**Master Lease**") is attached hereto as Schedule 6(c)(ii)

(d) No Other Representations, "As-Is" Sale Buyer acknowledges that it has been given a full opportunity to inspect and investigate each and every aspect of the Purchased Assets, including, without limitation the condition of the Building, either independently or through agents of Buyer's own choosing Accordingly, Buyer agrees as follows, EXCEPT AS SET FORTH IN THIS SECTION 6, SELLER MAKES NO REPRESENTATION OR WARRANTY CONCERNING THE CONDITION OF THE PURCHASED ASSETS, INCLUDING, WITHOUT LIMITATION, THE BUILDING, THE EQUIPMENT PURCHASED WITH THE BUSINESS OR THEIR SUITABILITY FOR USE IN ANY OPERATION OR THEIR FITNESS OR MERCHANTABILITY THE PURCHASED ASSETS ARE BEING SOLD AND ASSIGNED, AS APPLICABLE, ON AN "AS-IS,"

"WHERE-IS," AND "WITH ALL FAULTS" BASIS AND, AS SUCH, SELLER IS NOT OBLIGATED TO MAKE ANY REPAIRS OR REPLACEMENTS

7 Representations And Warranties Of Buyer Buyer hereby represents, warrants and covenants to Seller on and as of the date hereof, unless stated to the contrary below, and on and as of the Closing Date as follows

(a) Organization and Standing of Buyer Buyer is a _____ duly organized and in good standing under the laws of the State of _____ and is qualified to transact business and is in good standing under the laws of the State of _____

_____

(b) Fees and Commissions Buyer has not employed, agreed to pay or become liable to pay any consultant's, broker's, finder's, originator's and/or agent's fee or commission by reason of services alleged to have been rendered for or at the instance of Buyer in connection with this Agreement, the Related Documents and the transactions contemplated herein, but if Buyer has, Buyer shall be solely liable for any sums due to such consultant, broker, finder, originator and/or agent

(c) Authority to Enter into Agreements Buyer has full power and authority to enter into this Agreement and to perform this Agreement and the transactions contemplated herein All corporate and other proceedings required to be taken by or on the part of Buyer to authorize Buyer to execute, deliver, and carry out this Agreement and each of the Related Documents and to authorize Buyer to complete the acceptance of the assignments, transfers, conveyances, and delivery of the Purchased Assets to Buyer have been duly and properly taken or will have been duly and properly taken prior to Closing This Agreement has been duly executed by Buyer and is the valid and binding obligation of Buyer enforceable in accordance with its terms subject to the effect of bankruptcy, insolvency, reorganization, moratorium and similar laws from time to tune relating to the rights and remedies of creditors Each Related Document to be executed and delivered at Closing will have been duly executed by Buyer and will be the valid and binding obligation of Buyer enforceable in accordance with its terms subject to the effect of bankruptcy, insolvency, reorganization, moratorium and similar laws from time to time relating to the rights and remedies of creditors Neither the execution and delivery of this Agreement and each Related Document by Buyer, nor compliance with their respective terms, will result in the breach or violation of Buyer's organizing articles or other entity governing agreements

(d) No Conflict with Other Agreements Neither Buyer's entry into this Agreement nor its consummation of the transaction contemplated herein will result in the breach of any provision of, or constitute a default under, any contract or other obligation to which Buyer is a party or by which Buyer is bound

(e) Walk-Through of Premises Buyer has conducted a complete and thorough walk-through inspection of the Business premises and has inspected any and all inventory, furniture, equipment, fixtures and other tangible personal property to be purchased under this Agreement Buyer has determined that all of the Purchased Assets are in good operating condition and repair, ordinary wear and tear expected

(f) Inspection of Books and Records Buyer has conducted a thorough inspection of the Seller's financial statements, books, and records pertaining to the Business (the "**Records**") Buyer has determined that such Records fairly reflect the financial position of the Business

Buyer further acknowledges and aggress that such Records were limited solely to the actual operating results of the Business being offered for sale, and were provided to Buyer solely for the purpose of enabling Buyer to evaluate its purchase of the Business as contemplated by this Agreement

(g) Franchise Documents Buyer has received and reviewed, at least fourteen (14) calendar days prior to the Closing Date, FBF's current Uniform Franchise Disclosure Document Further, Buyer has received and reviewed, at least seven (7) calendar days prior to the Closing Date, an execution copy of each of the Franchise Documents to be entered into at the Closing between Buyer, as franchisee, and FBF, as franchisor

8 Covenants And Agreements

(a) Conduct of Business From the date hereof through the Closing Date, Seller shall operate the Business in the ordinary course and substantially in the same manner as previously conducted by it

(b) Expenses The parties hereto, shall, except as otherwise specifically provided herein, bear their expenses incurred in connection with the preparation, execution and performance with this Agreement, the Related Documents and the transactions contemplated herein, including, without limitation, all fees and expenses of the parties' respective agents, representatives, counsel and accountants

9 Conditions To Seller's Obligations To Close The obligation of Seller to enter into and complete the Closing and to consummate the transfer of the Purchased Assets and the transactions contemplated herein are subject to (i) satisfaction of the Mutual Conditions Precedent to Closing set forth at Section 4 and the deliveries by Buyer under Section 5(c), (ii) the termination of this Agreement at the option of Seller acting in accordance with the provisions of Section 11, and (iii) the fulfillment on or prior to the Closing Date of the following conditions, any one or more of which may be waived by Seller

(a) Representations and Covenants The representations and warranties of Buyer contained in this Agreement shall be true as of the Closing Date with the same force and effect as though made on and as of the Closing Date Buyer shall have performed and complied with all covenants and agreements required by this Agreement to be performed and complied in all material respects prior to the Closing Date Buyer shall have delivered to Seller a certificate, dated as of the Closing Date, and signed by an authorized officer of Buyer on its behalf to the foregoing effect

(b) Consents All consents, approvals and waivers from the lessor under the Master Lease and other third parties necessary to permit Seller to transfer the Purchased Assets to Buyer and sublease the Land to Buyer and as contemplated hereby, or necessary to permit Buyer to conduct the Business as presently conducted, shall have been obtained

10 Conditions To Buyer's Obligation To Close The obligation of Buyer to enter into and complete the Closing and to consummate the transfer of the Purchased Assets and the other transactions contemplated herein are subject to (i) satisfaction of the Mutual Conditions Precedent to Closing set forth at Section 4, and the deliveries by Seller under Section 5(b), (ii) the termination of this Agreement at the option of Buyer acting in accordance with the

provisions of Section 11, and (iii) the fulfillment on or prior to the Closing Date of the following conditions, any one or more of which may be waived by Buyer

(a) Representations and Covenants The representations and warranties (including the Schedules) of Seller contained in this Agreement shall be true on and as of the Closing Date with the same force and effect as though made on and as of the Closing Date Seller shall have performed and complied in all material respects with all covenants and agreements required by this Agreement to be performed or complied with by Seller, on or prior to the Closing Date Seller shall have delivered to Buyer a certificate, dated as of the Closing Date, signed by an authorized officer of Seller to the foregoing effect

(b) Consents All consents, approvals and waivers from the lessor under the Master Lease and other third parties necessary to permit Seller to transfer the Purchased Assets to Buyer and sublease the Land to Buyer and as contemplated hereby, or necessary to permit Buyer to conduct the Business as presently conducted, shall have been obtained

11 Termination This Agreement may be terminated at any time prior to the consummation of the transactions contemplated herein on the Closing Date as follows

(a) Mutual Agreement By mutual written agreement of Seller and Buyer, or

(b) By Buyer By written notice of Buyer to Seller if (i) Closing has not occurred by _____ __, 20__ or (ii) any condition to the obligations of Buyer set forth in Sections 4, 8 or 10 is not satisfied on or prior to the Closing Date and such condition is not waived by Buyer on or prior to the Closing Date, and (iii) Buyer is not in material default of its obligations under this Agreement, or

(c) By Seller By written notice of Seller to Buyer if (i) Closing has not occurred by _____ __, 20__, or (ii) any condition to the obligations of Seller set forth in Section 4 or 9 is not satisfied on or prior to the Closing Date and such condition is not waived by Seller on or prior to the Closing Date, and (iii) Seller is not in material default of its obligations under this Agreement, or

(d) Liabilities of the Parties In the event of the termination of thss Agreement by any party hereto pursuant to thus Section, the parties hereto shall have no liability under this Agreement of any nature whatsoever (other than pursuant to this Section 11(d) to the other parties hereto (including without limitation, any liability for damages or for the costs and expenses incurred in connection with the negotiation of this Agreement), unless any party is in default under its obligations under this Agreement, in which event the party in default shall be liable to the other parties for such default, and such non-defaulting parties shall be entitled to any and all remedies available at law or in equity or under this Agreement In the event that a condition precedent to the obligations of a party hereto is not satisfied, nothing herein shall be deemed to require any such party to terminate this Agreement rather than to waive such condition precedent and proceed with the Closing

12 Indemnity By Buyer Buyer shall indemnify and hold harmless Seller, and each of its respective successors, assigns, heirs and legal representatives, from and against any and all liabilities, losses, damages, deficiencies, debts, claims, costs or expenses of any nature, including without limitation, reasonable attorney's fees (collectively, "**Damages**') suffered or incurred by Seller by reason of (i) any misrepresentation or breach of any warranty or

nonfulfillment of any covenant on the part of Buyer contained in this Agreement or in any Related Document furnished or to be furnished by Buyer to Seller pursuant hereto, (ii) suffered or incurred in respect of or in connection with any debt, obligation, real property lease or liability either assumed by Buyer under this Agreement or arising after the Effective Time, (iii) resulting from any and all commercial and tort claims, contingent, unliquidated or disputed which are based upon occurrences, accidents, acts or omissions arising after the Effective Time, or (iv) without limiting the foregoing, the failure of Buyer to take all actions reasonably necessary to ensure that the transaction contemplated herein complies with any applicable bulk sales laws

13 Further Assurances Seller and Buyer agree that they will, from time to time on or after the Closing Date when so requested by the other, perform, execute, acknowledge, or deliver or cause to be performed, executed, acknowledged or delivered, all such further acts, deeds, assignments, transfers, conveyances, documents, instruments and assurances as may be reasonably necessary or advisable to carry out the provisions of this Agreement or any Related Document or to effectuate the consummation of any transactions contemplated herein, including without limitation, putting Buyer in possession and operating control of the Purchased Assets and the Business

14 Miscellaneous

(a) Assignment This Agreement shall be binding upon and inure to the benefit of, and be enforceable by, the parties hereto and their respective heirs, executors, successors and assigns, provided that this Agreement shall not be assignable by any party without the prior written consent of the other party

(b) Entire Agreement This Agreement, together with all exhibits and schedules and all Related Documents, is the entire agreement among the parties hereto with respect to the subject matter hereof and supersedes all prior agreements, understandings, negotiations and discussions, whether oral or written, of the parties No representation or warranty has been made by or on behalf of any party to this Agreement, or any officer, director, employee, agent or representative thereof, to induce the other party to enter into this Agreement or to abide by or consummate any of the transactions contemplated herein, except the representations and warranties expressly set forth herein No representations, inducement, agreement, promise or understanding altering, modifying, taken from or adding to the terms and conditions hereof shall have any force or effect unless the same is in writing and validly executed by the parties hereto No waiver of any of the provisions of this Agreement shall be deemed or shall constitute a waiver of any other provisions hereof (whether or not similar), nor shall such waiver constitute a continuing waiver unless otherwise expressly provided

(c) Notice All notices or other communications required or permitted under this Agreement shall be in writing and shall be deemed to have been duly given if sent by registered or certified mail, postage-prepaid, and return receipt requested or other means which affords the sender evidence of delivery, or of attempted delivery, addressed as follows

If to Buyer, to _____
_____
_____
_____

If to Seller, to _____
_____
_____
_____

The addresses so indicated for any party may be changed by similar written notice Notices shall be deemed effective as of the date of their receipt, not as of the date of their delivery

(d) Counterparts This Agreement may be executed in any number of counterparts, each of which shall be treated as an original (including telecopied or facsimile copied counterparts of this Agreement containing signatures if the original of any such counterpart is delivered to the other parties hereto by overnight courier for receipt the next business day), but all of which, collectively, shall constitute a single instrument

(e) Severability In the event that any one or more of the provisions contained in this Agreement or in any other Related Document shall, for any reason, be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provision of this Agreement or any Related Document

(f) Closing Costs All sales, use, transfer or other taxes or fees attributable to the transfer of the Purchased Assets, as well as all charges for or in connection with recording of the Deed, Deed of Trust and any other document herein provided (collectively, the "**Closing Costs**") shall be the sole responsibility of, and paid by, Buyer Upon the Closing, Buyer shall pay to Seller an amount representing the recording fees and documentary transfer tax imposed upon any documents to be recorded by Seller (including, without limitation, the Deed and Deed of Trust)

(g) No Prorations Buyer and Seller agree that upon the Closing there shall be no proration of any charges related to the Building or the Land, including, without limitation, any applicable property taxes, bonds and assessments, sewer and utility charges The parties agree that all such charges shall be paid in accordance with the provisions of the Sublease

(h) Captions The captions in this Agreement are for convenience only and shall not be considered a part of or affect the construction or interpretation of any provision of this Agreement

(i) No Benefit to Third Parties Except as specifically set forth or referred to herein, nothing in this Agreement is intended or shall be construed to confer upon or give to any person or corporation other than the parties hereto and their successors or permitted assigns, any rights or remedies under or by reason of this Agreement

(j) Governing Law This Agreement shall be governed by and construed in accordance with the laws of the State of California

(k) Remedies Except as expressly provided herein, the rights, obligations and remedies created by this Agreement and the Related Documents are cumulative and in addition to any other rights, obligations or remedies otherwise available at law or in equity

(l) Amendments This Agreement may not be amended, modified or altered except by a written instrument executed by all parties hereto

(m) Gender, Number As used herein, the masculine, feminine or neuter gender, and the singular or plural number, shall each be deemed to include the others whenever the contents so indicates

(n) Attorneys' Fees Should any party be required to bring legal action (including arbitration) to enforce its rights under this Agreement, the prevailing party in such action shall be entitled to recover from the losing party its reasonable attorneys' fees and costs in addition to any other relief to which it is entitled

(o) Interpretation The language of this Agreement shall not be construed against any party, it being understood that all parties have participated in the negotiation and drafting of this Agreement

[Signature Page Follows]

IN WITNESS WHEREOF, the parties have duly executed this Agreement as to the date first written above

"SELLER"

_____,
a(n) _____

By _____
Name _____
Title _____

"BUYER"

_____,
a(n) _____

By _____
Name _____
Title _____

EXHIBIT A

LEGAL DESCRIPTION OF THE LAND

[to be completed]

EXHIBIT B

BILL OF SALE
BILL OF SALE AND ASSIGNMENT OF ASSETS

THIS BILL OF SALE AND ASSIGNMENT OF ASSETS is made and entered into as of the ___ day of _____, 201_, by _____, a _____ (the "**Seller**")

FOR GOOD AND VALUABLE CONSIDERATION, the receipt and sufficiency of which are hereby acknowledged, and as contemplated by that certain Asset Purchase Agreement dated_____ __, 201___ (the "**Purchase Agreement**"), by and between the Seller, and _____("**Buyer**"), effective as of the Effective Time, the Seller hereby sells, assigns, and transfers to Buyer, all of the Seller's right, title and interest in and to all of the Purchased Assets, but specifically excluding the Building (as those terms are defined in the Purchase Agreement)

The terms of the Purchase Agreement, including, but not limited to, the representations and warranties, covenants, agreements and all indemnities are incorporated herein by this reference The Seller acknowledges and agrees that any representations, warranties, covenants, agreements and indemnities contained in the Purchase Agreement shall not be superseded hereby but shall remain in full force and effect to the fullest extent provided therein In the event of any conflict or inconsistency between the terms of the Purchase Agreement and the terms hereof, the terms of the Purchase Agreement shall govern

IN WITNESS WHEREOF, the Seller has executed this Bill of Sale and Assignment of Assets as of the date first written above

"**Seller**"

_____

By _____
Name _____
Its _____

Acknowledged

_____

By _____
Name _____
Its _____

EXHIBIT C

DEED

EXHIBIT D

SUBLEASE

EXHIBIT E

DEED OF TRUST

Recording Requested By

When recorded mail to

DEED OF TRUST WITH ASSIGNMENT OF RENTS

This DEED OF TRUST made effective as of this ____ day of _____ 20__ between _____ a _____ called TRUSTOR whose address is _____

CHICAGO TITLE COMPANY, a California corporation herein called TRUSTEE and

_____ herein called BENEFICIARY

Trustor irrevocably grants, transfers and assigns to Trustee in Trust with power of sale the building and related improvements constructed on the real property in the City of _____ County of _____ State of California commonly known as_____ California and more fully described in Exhibit "A attached hereto and incorporated by reference

Together with the rents issues and profits thereof subject however to the right power and authority hereinafter given to and conferred upon Beneficiary to collect and apply such rents issues and profits

FOR THE PURPOSE OF SECURING (1) the performance of TRUSTOR under that certain Franchise Agreement dated ____ by and between TRUSTOR and Farmer Boy s Food Inc and any amendments thereof (the Franchise Agreement") (2) the performance of each agreement of TRUSTOR incorporated by reference or contained herein or reciting it is so secured (3) payment of additional sums and interest thereon which may hereafter be loaned to Trustor or his or her successors or assigns when evidenced by a promissory note or notes reciting that they are secured by this Deed of Trust

A To protect the security of this Deed of Trust and with respect to the property above described Trustor agrees

(1) To keep said property in good condition and repair not to remove or demolish any building thereon to complete or restore promptly and in good and workmanlike manner any building which may be constructed damaged or destroyed thereon and to pay when due all claims for labor performed and materials furnished therefor to comply with all laws affecting said property or requiring any alterations or improvements to be made thereon not to commit or permit waste thereof not to commit suffer or permit any act upon said property in violation of the law to cultivate irrigate fertilize fumigate prune and do all other acts which from the character or use of said property may be reasonably necessary the specific enumerations herein not excluding the general

(2) To provide maintain and deliver to Beneficiary fire insurance satisfactory to and with loss payable to Beneficiary The amount collected under any fire or other insurance policy may be applied by Beneficiary upon any indebtedness secured hereby and in such order as beneficiary may determine or at option of Beneficiary the entire amount so collected or any part thereof may be released to Trustor Such

application or release shall not cure or waive any default or notice of default hereunder or invalidate any act done pursuant to such notice

(3) To appear in and defend any action or proceeding purporting to affect the security hereof or the rights or powers of Beneficiary or Trustee and to pay all costs and expenses including cost of evidence of title and attorney s fees in a reasonable sum in any action or proceeding in which Beneficiary or Trustee may appear and in any suit brought by Beneficiary to foreclose this Deed of Trust

(4) To pay at least ten days before delinquency all taxes and assessments affecting said property including assessments on appurtenant water stock when due all encumbrances charges and liens with interest on said property or any part thereof which appear to be prior or superior hereto all costs fees and expenses of this Trust

Should Trustor fail to make any payment or to do any act as herein provided then Beneficiary or Trustee but without obligation so to do and without notice to or demand upon Trustor and without releasing Trustor from any obligation hereof may make or do the same in such manner and to such extent as either may deem necessary to protect the security hereof Beneficiary or Trustee being authorized to enter upon said property for such purposes appear in and defend any action or proceeding purporting to affect the security hereof or the rights or powers of Beneficiary or Trustee pay purchase contest or compromise any encumbrance charge or lien which in the judgment of either appears to be prior or superior hereto and in exercising any such powers pay necessary expenses employ counsel and pay his or her reasonable fees

(5) To pay immediately and without demand all sums so expended by Beneficiary or Trustee with interest from date of expenditure at the amount allowed by law in effect at the date hereof and to pay for any statement provided for by law in effect at the date hereof regarding the obligation secured hereby any amount demanded by the Beneficiary not to exceed the maximum allowed by law at the time when said statement is demanded

B It is mutually agreed

(1) That any award of damages in connection with any condemnation for public use of or injury to said property or any part thereof is hereby assigned and shall be paid to Beneficiary who may apply or release such moneys received by him or her in the same manner and with the same effect as above provided for disposition or proceeds of fire or other insurance

(2) That by accepting payment of any sum secured hereby after its due date Beneficiary does not waive his or her right either to require prompt payment when due of all other sums so secured or to declare default for failure so to pay

(3) That at any time or from time to time without liability therefor and without notice upon written request of Beneficiary and presentation of this Deed and said note for endorsement and without affecting the personal liability or any person for payment of the indebtedness secured hereby Trustee may reconvey any part of said property consent to making of any map or plat thereof join in granting any easement thereon or join in any extension agreement or any agreement subordinating the lien or charge hereof

(4) That upon written request of beneficiary stating that all sums secured hereby have been paid and upon surrender of this Deed and said note to Trustee for cancellation and retention or other disposition as Trustee in its sole discretion may choose and upon payment of its fees Trustee shall reconvey without warranty the property then held hereunder The recitals in such reconveyance of any matters or facts shall be conclusive proof of the truthfulness thereof The Grantee in such reconveyance may be described as "the person or persons legally entitled thereto

(5) That as additional security Trustor hereby gives to and confers upon Beneficiary the right power and authority during the continuance of these Trusts to collect the rents issues and profits of said property reserving unto Trustor the right prior to any default by Trustor in payment of any indebtedness secured hereby or in performance of any agreement hereunder to collect and retain such rents issues and profits as they become due and payable Upon any such default Beneficiary may at any time without notice either in person by agent or by a receiver to be appointed by a court and without regard to the adequacy of any security for the indebtedness hereby secured enter upon and take possession of said property or any part thereof in his or her own name sue for or otherwise collect such rents issues and

profits including those past due and unpaid and apply the same less costs and expenses of operation and collection including reasonable attorney's fees upon any indebtedness secured hereby and in such order as Beneficiary may determine The entering upon and taking possession of said property the collection of such rents issues and profits and the application thereof as aforesaid shall not cure or waive any default or notice of default hereunder or invalidate any act done pursuant to such notice

(6) That upon default by Trustor in payment of any indebtedness secured hereby or in performance of any agreement hereunder Beneficiary may declare all sums secured hereby immediately due and payable by delivery to Trustee of written declaration of default and demand for sale and of written notice of default and of election to cause to be sold said property which notice Trustee shall cause to be filed for record Beneficiary also shall deposit with Trustee this Deed said note and all documents evidencing expenditures secured hereby

After the lapse of such time as may then be required by law following the recordation of said notice of default and notice of sale having been given as then required by law Trustee without demand on Trustor shall sell said property at the time and place fixed by it in said notice of sale either as a whole or in separate parcels and in such order as it may determine at public auction to the highest bidder for cash in lawful money of the United States payable at time of sale Trustee may postpone sale of all or any portion of said property by public announcement at such time and place of sale and from time to time thereafter may postpone such sale by public announcement at the time fixed by the preceding postponement Trustee shall deliver to such purchaser its deed conveying the property so sold but without any covenant or warranty express or implied The recitals in such deed of any matters or facts shall be conclusive proof of the truthfulness thereof Any person including Trustor Trustee or Beneficiary as hereinafter defined may purchase at such sale

After deducting all costs fees and expenses of Trustee and of this Trust including cost of evidence of title in connection with sale Trustee shall apply the proceeds of sale to payment of all sums expended under the terms hereof not then repaid with accrued interest at the amount allowed by law in effect at the date hereof all other sums then secured hereby and the remainder if any to the person or persons legally entitled thereto

(7) Beneficiary or any successor in ownership of any indebtedness secured hereby may from time to time by instrument in writing substitute a successor of successors to any Trustee named herein or acting hereunder which instrument executed by the Beneficiary and duly acknowledged and recorded in the office of the recorder of the county or counties where said property is situated shall be conclusive proof of proper substitution of such successor Trustee or Trustees who shall without conveyance from the Trustee predecessor succeed to all its title estate rights powers and duties Said instrument must contain the name of the original Trustor Trustee and Beneficiary hereunder the book and page where this Deed is recorded and the name and address of the new Trustee

(8) That this Deed applies to inures to the benefit of and binds all parties hereto their heirs legatees devisees administrators executors successors and assigns The term Beneficiary shall mean the owner and holder including pledgees of the note secured hereby whether or not named as Beneficiary herein In this Deed whenever the context so requires the masculine gender includes the feminine and/or the neuter and the singular number includes the plural

(9) The Trustee accepts this Trust when this Deed duly executed and acknowledged is made a public record as provided by law Trustee is not obliged to notify any party hereto of pending sale under any other Deed of Trust or of any action or proceeding in which Trustor Beneficiary or Trustee shall be a party unless brought by Trustee

Beneficiary may charge for a statement regarding the obligation secured hereby provided the charge thereof does not exceed the maximum allowed by laws

The undersigned Trustor requests that a copy of any notice of default and any notice of sale hereunder be mailed to him or her at his or her address hereinbefore set forth

See Rider to Deed of Trust attached hereto and incorporated by reference

_____
a _____

By _____
Name
Title

STATE OF CALIFORNIA

COUNTY OF _____

On _____ 20___ before me _____ Notary Public personally appeared _____ and _____ who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies) and that by his/her/their signature(s) on the instrument the person(s) or the entity upon behalf of which the person(s) acted executed the instrument

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct

WITNESS my hand and official seal

Signature _____(seal)

RIDER TO DEED OF TRUST

This is a Rider to that certain Deed of Trust with Assignment of Rents (the Deed of Trust") dated effective as of_____ 20__ executed by_____ as Trustor to Chicago Title Company as Trustee for the benefit of _____ as Beneficiary and supplements the Deed of Trust as follows

1 Transfer

1 1 Definition The term Transfer" means (i) any sale conveyance transfer encumbrance or other transfer of the real property that is secured by this Deed of Trust (the Property) or any portion thereof or interest therein whether voluntary involuntary, by operation of law or otherwise in favor of any other person corporation or entity or (ii) any transfer of the ownership directly or indirectly of any amount of the equity ownership interest of Trustor

1 2 Consent to Transfer Trustor shall not make any Transfer without Beneficiary s express written consent Beneficiary may in its sole discretion, withhold consent to a Transfer or consent to the Transfer only on a modification of the Note including an increase in the interest rate applicable to the loan evidenced by the Note If a Transfer occurs without Beneficiary s express written consent Beneficiary may in its sole discretion declare the Note to be immediately due and payable

2 Events of Default Trustor shall be in default under this Deed of Trust on the occurrence or continuance of any of the following (all referred to as Events of Default")

2 1 Franchise Agreement Trustor is in default under the Franchise Agreement beyond any applicable cure periods

2 2 Obligations Trustor fails to perform any obligation arising under this Deed of Trust

2 3 Bankruptcy The following acts or omissions by or against Trustor which shall constitute Bankruptcy under this Deed of Trust

a Trustor (aa) becomes insolvent or admits in writing his inability to pay his debts as they mature or (bb) makes any assignment for the benefit of creditors

b Any bankruptcy insolvency reorganization or liquidation proceeding or other proceeding for relief under any bankruptcy law or any law for the relief of debtors is instituted by or against Trustor

c Any money judgment writ or warrant of attachment or similar process (singly or if more than one cumulatively in excess of $25 000) is entered or filed against Trustor or any of the assets of Trustor and (aa) remains unvacated unbonded unstayed undismissed or undischarged for a period of thirty (30) days or in any event later than five (5) days before the date of any proposed sale thereunder or (bb) Trustor has not appealed the same in good faith to Beneficiary s satisfaction

2 4 Unauthorized Transfer A Transfer occurs without the written consent of Beneficiary

EXHIBIT "A' TO DEED OF TRUST

LEGAL DESCRIPTION OF PROPERTY

[to be completed]

APN _____

DO NOT RECORD
REQUEST FOR FULL RECONVEYANCE

To Chicago Title Company

The undersigned is the legal owner and holder of the note or notes and of all other indebtedness secured by the foregoing Deed of Trust Said note or notes together with all other indebtedness secured by said Deed of Trust have been fully paid and satisfied and you are hereby requested and directed on payment to you of any sums owning to you under the terms of said Deed of Trust to cancel said note or notes above mentioned and all other evidence of indebtedness secured by said Deed of Trust delivered to you herewith together with the said Deed of Trust and to reconvey, without warranty to the parties designated by the terms of said Deed of Trust all the estate now held by you under the same

Dated_____

_____

_____

Please mail Deed of Trust Note(s) and Reconveyance to

_____

Do not lose or destroy this Deed of Trust OR THE NOTE which it secures Both must be delivered to the Trustee for cancellation before reconveyance will be made

Schedule 1(a)

Purchased Assets

Schedule 1(b)(v)

Personal Property Excluded Assets

Schedule 3

Allocation of Purchase Price and Accounting of Buyer's Closing Costs

Schedule 6(c)(i)

Permitted Encumbrances

Schedule 6(c)(ii)

Master Lease

~ See Exhibit __ to Sublease Agreement ~

Exhibit G - 2

ASSET PURCHASE AGREEMENT

This ASSET PURCHASE AGREEMENT (this "**Agreement**") is made and entered into as of this __ day of _____, 20__, by and between _____, a(n) _ _____ ("**Seller**"), and _____, a(n) _____ _____ ("**Buyer**")

RECITALS

A Seller is an entity affiliated with Farmer Boys Food, Inc , a California corporation ("**FBF**")

B Seller owns the assets located in or used in the operation of a "Farmer Boys" restaurant business located at _____ (the "**Business**")

C The Business will be operated under and pursuant to a franchise agreement with FBF (the "**Franchise Agreement**")

D Seller desires to sell the Purchased Assets (as defined hereafter) to Buyer and Buyer desires to purchase the Purchased Assets on the terms and conditions set forth in this Agreement

NOW, THEREFORE, in consideration of the foregoing recitals and of the covenants, warranties and agreements set forth below and for other valuable consideration received, the parties hereby agree as follows

1 Purchase And Sale Of Assets

(a) Agreement to Purchase and Sell On the terms and subject to the conditions contained in this Agreement, Buyer agrees to purchase from Seller, and Seller agrees to sell to Buyer, effective as of the Effective Time, for the Purchase Price, all Seller's right title and interest, legal, and beneficial, in and to only the following assets of Seller (the "**Purchased Assets**") (i) the personal property listed on Schedule 1(a), as the same shall exist on the Closing Date, and (ii) all usable inventory of food, paper goods and promotional items and materials and supplies located in the Business as of the Effective Time (the "**Inventory** ') as the same shall exist immediately prior to the Effective Time

(b) Excluded Assets It is hereby expressly agreed by the parties to this Agreement that the Purchased Assets shall in no way include the following "**Excluded Assets** '

(i) any right to the Seller's or FBF's trade names, service marks, trademarks, logos, emblems and other indicia or origin used in connection with the Business, (the "**Marks**"), (ii) Seller's and FBF's trade dress, (iii) any right in or to the confidential proprietary information and methods of operation ("**System**") for the operation of the Business as a "Farmer Boy's" Business, including all recipes, or (iv) any and all goodwill associated with the Marks Buyer's right to use the Marks and the System and to operate the Business as a "Farmer Boy's" Business

will be evidenced by, and conducted pursuant to the terms of the Franchise Agreement, executed as provided herein

(ii) Cash, profit-sharing deposits, accounts receivable, any claims by Seller against third parties, tax refunds, prepaid consultant fees, prepaid expenses, escrow and/or trust accounts held by or for the benefit of Seller for any purposes, including, without limitation, prepaid insurance premiums and utility deposits,

(iii) Those permits, if any, which by law cannot be transferred by Seller to Buyer,

(iv) The business records and tax records of Seller, and,

(v) Those items of personal property, if any, listed on Schedule 1(b)(v) hereof

2 Purchase Price As consideration for the purchase and sale of the Purchased Assets, Buyer shall make the following payments and shall assume the following obligations and liabilities of Seller (such payments and the assumption of such obligations and liabilities are referred to collectively as the "**Purchase Price**")

(a) Consideration For Purchased Assets Subject to any adjustments required pursuant to this Agreement, Buyer shall pay to Seller the sum of $_____ at Closing (the "**Cash Consideration**") Payment hereunder shall be by bank or wire transfer of immediately available funds

(b) Inventory In connection with the allocation of the Purchase Price as provided in Section 3 above, on the evening prior to the Closing, the parties will conduct an inventory of the Inventory and agree on a dollar value of the Inventory at the Business based on Seller's cost therefore Buyer will pay Seller an amount equal to Seller's actual cost for the Inventory (the "**Inventory Cost**")

(c) Assumption of Certain Obligations At the Closing, Seller shall assign to Buyer and Buyer shall assume and agree to timely perform, pay and discharge, on and after the Effective Time, any and all leases, debts, liabilities, or obligations relating or pertaining to the Purchased Assets (the "**Assumed Obligations**"), except that certain **[describe any lease or agreement not assumed]**

3 Allocation Of Purchase Price Not less than five (5) days prior to Closing, the parties will agree to an allocation of the Purchase Price among the Purchased Assets and an accounting of the "Closing Costs" (as defined below) to be paid by Buyer upon the Closing, which allocation and accounting will be attached to this Agreement prior to Closing as Schedule 3 The parties hereto will adhere to such allocation for all purposes, including federal and state income tax purposes Seller and Buyer agree to cooperate in preparing and filing IRS Form 8594 reflecting the agreed-upon allocation

4 Mutual Conditions Precedent To Closing The obligation of the parties to enter into and complete the Closing and to consummate the transfer of the Purchased Assets is subject to the receipt, on or prior to the Closing Date, of FBF's Uniform Franchise Disclosure Document, and a Franchise Agreement for the Business along with all other related documents or agreements required by FBF, the Franchise Agreement, or otherwise (the "**Franchise Documents**")

5 Closing

(a) Closing The closing of the transactions contemplated herein and the transfer of the Purchased Assets shall occur on _____ __, 20__ (the "**Closing Date**"), effective as of 12 01 a m (Eastern Time) on the Closing Date (the "**Effective Time**"), at the Business, or such other date and place as the parties may agree (the "**Closing**")

(b) Seller's Deliveries At the Closing, Seller will deliver (or cause to be delivered) to Buyer

(i) the Franchise Documents to which FBF is a party, duly executed by FBF,

(ii) an original executed Bill of Sale and Assignment in substantially the form attached hereto as Exhibit A, conveying in the aggregate all property included in the Purchased Assets, and

(iii) **[an original executed counterpart of a [Sublease][Lease] Agreement in the form attached hereto as Exhibit B (the "Lease Agreement"), subletting the premises of the Business to Buyer],**

(iv) all of Seller's books, records, and files included in the Purchased Assets

(c) Buyer's Deliveries At the Closing, Buyer will deliver to Seller

(i) the Cash Consideration, the Inventory Value, plus any Closing Costs payable by Buyer to Seller in accordance with the provisions of Section 14(f),

(ii) the Franchise Documents, duly executed by Buyer, along with the initial franchisee fee required to be paid pursuant to the Franchise Agreement, unless the Franchise Documents have been delivered by Buyer to FBF prior to the Closing,

(iii) **[an original of a Buyer executed counterpart of the Lease Agreement],**

(iv) all such other instruments and documents as are reasonably necessary to complete the transaction contemplated herein

(v) All instruments and other documents shall be in form and substance, and shall be executed in a manner that is reasonably satisfactory to Seller

6 Representations And Warranties Of Seller Seller hereby represents, warrants and covenants to Buyer on and as of the date hereof, unless stated to the contrary below, and on and as of the Effective Time as follows

(a) Organization and Good Standing of Seller Seller is a _____ duly organized and in good standing under the laws of the State its incorporation, organization or formation

(b) Authority to Enter Into Agreement Seller has all requisite power, and has obtained the consents, approvals and authorizations necessary to enter into and perform this Agreement and the transactions contemplated herein All necessary consents and actions by Seller (including any necessary consents or actions of the directors and shareholders of Seller)

have been obtained This Agreement has been duly executed and delivered by Seller and is a valid and binding obligation, enforceable in accordance with its terms Each agreement, instrument, schedule and other document (other than this Agreement) which is executed and delivered at Closing or which is otherwise executed and delivered in connection with this Agreement, including, without limitation, the Franchise Documents (collectively, the "**Related Documents**") executed and delivered by Seller at Closing shall have been duly executed and delivered by Seller, and shall be the valid and binding obligation of Seller, enforceable in accordance with its respective terms

(c) Purchased Assets

(i) Seller has, and shall convey to Buyer on the Closing Date, good and marketable title to all of the Purchased Assets, free and clear of any lien, encumbrance, pledge, mortgage, security interest, claim, lease (excluding the Master Lease (defined below)), special assessment, unsatisfied pre-emptive right, transfer restriction or any other restriction or limitation, except (i) the Assumed Obligations and (ii) any permitted encumbrances listed on Schedule 6(c)(i)

(ii) **[REVISE/DELETE AS APPROPRIATE]** A true and complete copy of the real estate lease for the Business by and between Seller and _____ _____, as landlord, dated on or about _____, together with any amendments, modifications or supplements thereto, and all easements, appurtenances, servitudes, accessories and components, access and use agreements, ancillary leases, such as additional parking and related agreement(s) relating to the premises of the Business (the " **Master Lease**"), is attached hereto as Schedule 6(c)(ii)

(d) NO OTHER REPRESENTATIONS, "AS-IS" SALE BUYER ACKNOWLEDGES THAT IT HAS BEEN GIVEN A FULL OPPORTUNITY TO INSPECT AND INVESTIGATE EACH AND EVERY ASPECT OF THE PURCHASED ASSETS, INCLUDING EXCEPT AS SET FORTH IN THIS SECTION 6, SELLER MAKES NO REPRESENTATION OR WARRANTY CONCERNING THE CONDITION OF THE PURCHASED ASSETS, INCLUDING, WITHOUT LIMITATION, THE PROPERTY, THE EQUIPMENT OR PREMISES LEASED OR PURCHASED WITH THE BUSINESS OR THEIR SUITABILITY FOR USE IN ANY OPERATION OR THEIR FITNESS OR MERCHANTABILITY THE PREMISES AND PURCHASED ASSETS ARE BEING SOLD AND ASSIGNED, AS APPLICABLE, ON AN "AS-IS," "WHERE-IS," AND "WITH ALL FAULTS" BASIS AND, AS SUCH, SELLER IS NOT OBLIGATED TO MAKE ANY REPAIRS OR REPLACEMENTS

7 Representations And Warranties Of Buyer Buyer hereby represents, warrants and covenants to Seller on and as of the date hereof, unless stated to the contrary below, and on and as of the Closing Date as follows

(a) Organization and Standing of Buyer Buyer is a _____duly organized and in good standing under the laws of the State of _____and is qualified to transact business and is in good standing under the laws of the State of _____

(b) Fees and Commissions Buyer has not employed, agreed to pay or become liable to pay any consultant's, broker's, finder's, originator's and/or agent's fee or commission by reason of services alleged to have been rendered for or at the instance of Buyer in connection

with this Agreement, the Related Documents and the transactions contemplated herein, but if Buyer has, Buyer shall be solely liable for any sums due to such consultant, broker, finder, originator and/or agent

(c) Authority to Enter into Agreements Buyer has full power and authority to enter into this Agreement and to perform this Agreement and the transactions contemplated herein All corporate and other proceedings required to be taken by or on the part of Buyer to authorize Buyer to execute, deliver, and carry out this Agreement and each of the Related Documents and to authorize Buyer to complete the acceptance of the assignments, transfers, conveyances, and delivery of the Purchased Assets to Buyer have been duly and properly taken or will have been duly and properly taken prior to Closing This Agreement has been duly executed by Buyer and is the valid and binding obligation of Buyer enforceable in accordance with its terns subject to the effect of bankruptcy, insolvency, reorganization, moratorium and similar laws from time to tune relating to the rights and remedies of creditors Each Related Document to be executed and delivered at Closing will have been duly executed by Buyer and will be the valid and binding obligation of Buyer enforceable in accordance with its terns subject to the effect of bankruptcy, insolvency, reorganization, moratorium and similar laws from time to time relating to the rights and remedies of creditors Neither the execution and delivery of this Agreement and each Related Document by Buyer, nor compliance with their respective terms, will result in the breach or violation of Buyer's organizing articles or other entity governing agreements

(d) No Conflict with Other Agreements Neither Buyer's entry into this Agreement nor its consummation of the transaction contemplated herein will result in the breach of any provision of, or constitute a default under, any contract or other obligation to which Buyer is a party or by which Buyer is bound

(e) Walk-Through of Premises Buyer has conducted a complete and thorough walk-through inspection of the Business premises and has inspected any and all inventory, furniture, equipment, fixtures and other tangible personal property to be purchased under this Agreement Buyer has determined that all of the Purchased Assets are in good operating condition and repair, ordinary wear and tear expected

(f) Inspection of Books and Records Buyer has conducted a thorough inspection of the Seller's financial statements, books, and records pertaining to the Business (the "**Records**") Buyer has determined that such Records fairly reflect the financial position of the Business Buyer further acknowledges and aggress that such Records were limited solely to the actual operating results of the Business being offered for sale, and were provided to Buyer solely for the purpose of enabling Buyer to evaluate its purchase of the Business as contemplated by this Agreement

(g) Franchise Documents Buyer has received and reviewed, at least fourteen (14) calendar days prior to the Closing Date, FBF's current Uniform Franchise Disclosure Document Further, Buyer has received and reviewed, at least seven (7) calendar days prior to the Closing Date, an execution copy of each of the Franchise Documents to be entered into at the Closing between Buyer, as franchisee, and FBF, as franchisor

8 Covenants And Agreements

(a) Conduct of Business From the date hereof through the Closing Date, Seller shall operate the Business in the ordinary course and substantially in the same manner as previously conducted by it

(b) Expenses The parties hereto, shall, except as otherwise specifically provided herein, bear their expenses incurred in connection with the preparation, execution and performance with this Agreement, the Related Documents and the transactions contemplated herein, including, without limitation, all fees and expenses of the parties' respective agents, representatives, counsel and accountants

9 Conditions To Seller's Obligations To Close The obligation of Seller to enter into and complete the Closing and to consummate the transfer of the Purchased Assets and the transactions contemplated herein are subject to (i) satisfaction of the Mutual Conditions Precedent to Closing set forth at Section 4 and the deliveries by Buyer under Section 5(c), (ii) the termination of this Agreement at the option of the Seller acting in accordance with the provisions of Section 11, and (iii) the fulfillment on or prior to the Closing Date of the following conditions, any one or more of which may be waived by Seller

(a) Representations and Covenants The representations and warranties of Buyer contained in this Agreement shall be true as of the Closing Date with the same force and effect as though made on and as of the Closing Date Buyer shall have performed and complied with all covenants and agreements required by this Agreement to be performed and complied in all material respects prior to the Closing Date Buyer shall have delivered to Seller a certificate, dated as of the Closing Date, and signed by an authorized officer of Buyer on its behalf to the foregoing effect

(b) Consents All consents, approvals and waivers from [the lessor under the Master Lease and other] third parties necessary to permit Seller to transfer the Purchased Assets to Buyer [and sublet the premises of the Business] and as contemplated hereby, or necessary to permit Buyer to conduct the Business as presently conducted, shall have been obtained

10 Conditions To Buyer's Obligation To Close The obligation of Buyer to enter into and complete the Closing and to consummate the transfer of the Purchased Assets and the other transactions contemplated herein are subject (i) to satisfaction of the Mutual Conditions Precedent to Closing set forth at Section 4, and the deliveries by Seller under Section 5(b), (ii) the termination of this Agreement at the option of Buyer acting in accordance with the provisions of Section 11, and (iii) the fulfillment on or prior to the Closing Date of the following conditions, any one or more of which may be waived by Buyer

(a) Representations and Covenants The representations and warranties (including the Schedules) of Seller contained in this Agreement shall be true on and as of the Closing Date with the same force and effect as though made on and as of the Closing Date Seller shall have performed and complied in all material respects with all covenants and agreements required by this Agreement to be performed or complied with by Seller, on or prior to the Closing Date Seller shall have delivered to Buyer a certificate, dated as of the Closing Date, signed by an authorized officer of Seller to the foregoing effect

(b) Consents All consents, approvals and waivers from [the lessor under the Master Lease and other] third parties necessary to permit Seller to transfer the Purchased Assets to

Buyer [and sublet the premises of the Business] and as contemplated hereby, or necessary to permit Buyer to conduct the Business as presently conducted, shall have been obtained

11 Termination This Agreement may be terminated at any time prior to the consummation of the transactions contemplated herein on the Closing Date as follows

(a) Mutual Agreement By mutual written agreement of Seller and Buyer, or

(b) By Buyer By written notice of Buyer to Seller if (i) Closing has not occurred by _____ __, 20__ or (ii) any condition to the obligations of Buyer set forth in Sections 4, 8 or 10 is not satisfied on or prior to the Closing Date and such condition is not waived by Buyer on or prior to the Closing Date, and (iii) Buyer is not in material default of its obligations under this Agreement, or

(c) By Seller By written notice of Seller to Buyer if (i) Closing has not occurred by _____ __, 20__, or (ii) any condition to the obligations of Seller set forth in Section 4 or 9 is not satisfied on or prior to the Closing Date and such condition is not waived by Seller on or prior to the Closing Date, and (iii) Seller is not in material default of its obligations under this Agreement, or

(d) Liabilities of the Parties In the event of the termination of thss Agreement by any party hereto pursuant to thus Section, the parties hereto shall have no liability under this Agreement of any nature whatsoever (other than pursuant to this Section 11(d) to the other parties hereto (including without limitation, any liability for damages or for the costs and expenses incurred in connection with the negotiation of this Agreement), unless any party is in default under its obligations under this Agreement, in which event the party in default shall be liable to the other parties for such default, and such non-defaulting parties shall be entitled to any and all remedies available at law or in equity or under this Agreement In the event that a condition precedent to the obligations of a party hereto is not satisfied, nothing herein shall be deemed to require any such party to terminate this Agreement rather than to waive such condition precedent and proceed with the Closing

12 Indemnity By Buyer Buyer shall indemnify and hold harmless Seller, and each of its respective successors, assigns, heirs and legal representatives, from and against any and all liabilities, losses, damages, deficiencies, debts, claims, costs or expenses of any nature, including without limitation, reasonable attorney's fees (collectively, "**Damages**") suffered or incurred by Seller by reason of (i) any misrepresentation or breach of any warranty or nonfulfillment of any covenant on the part of Buyer contained in this Agreement or in any Related Document furnished or to be furnished by Buyer to Seller pursuant hereto, (ii) suffered or incurred in respect of or in connection with any debt, obligation, real property lease or liability either assumed by Buyer under this Agreement or arising after the Effective Time, (iii) resulting from any and all commercial and tort claims, contingent, unliquidated or disputed which are based upon occurrences, accidents, acts or omissions arising after the Effective Time, or (iv) without limiting the foregoing, the failure of Buyer to take all actions reasonably necessary to ensure that the transaction contemplated herein complies with any applicable bulk sales laws

13 Further Assurances Seller and Buyer agree that they will, from time to time on or after the Closing Date when so requested by the other, perform, execute, acknowledge, or deliver or cause to be performed, executed, acknowledged or delivered, all such further acts, deeds, assignments, transfers, conveyances, documents, instruments and assurances as may be

reasonably necessary or advisable to carry out the provisions of this Agreement or any Related Document or to effectuate the consummation of any transactions contemplated herein, including without limitation, putting Buyer in possession and operating control of the Purchased Assets and the Business

14 Miscellaneous

(a) Assignment This Agreement shall be binding upon and inure to the benefit of, and be enforceable by, the parties hereto and their respective heirs, executors, successors and assigns, provided that this Agreement shall not be assignable by any party without the prior written consent of the other party

(b) Entire Agreement This Agreement, together with all exhibits and schedules and all Related Documents, is the entire agreement among the parties hereto with respect to the subject matter hereof and supersedes all prior agreements, understandings, negotiations and discussions, whether oral or written, of the parties No representation or warranty has been made by or on behalf of any party to this Agreement, or any officer, director, employee, agent or representative thereof, to induce the other party to enter into this Agreement or to abide by or consummate any of the transactions contemplated herein, except the representations and warranties expressly set forth herein No representations, inducement, agreement, promise or understanding altering, modifying, taken from or adding to the terms and conditions hereof shall have any force or effect unless the same is in writing and validly executed by the parties hereto No waiver of any of the provisions of this Agreement shall be deemed or shall constitute a waiver of any other provisions hereof (whether or not similar), nor shall such waiver constitute a continuing waiver unless otherwise expressly provided

(c) Notice All notices or other communications required or permitted under this Agreement shall be in writing and shall be deemed to have been duly given if sent by registered or certified mail, postage-prepaid, and return receipt requested or other means which affords the sender evidence of delivery, or of attempted delivery, addressed as follows

If to Buyer, to _____
_____
_____
_____

If to Seller, to _____
_____
_____
_____

The addresses so indicated for any party may be changed by similar written notice Notices shall be deemed effective as of the date of their receipt, not as of the date of their delivery

(d) Counterparts This Agreement may be executed in any number of counterparts, each of which shall be treated as an original (including telecopied or facsimile copied counterparts of this Agreement containing signatures if the original of any such counterpart is

delivered to the other parties hereto by overnight courier for receipt the next business day), but all of which, collectively, shall constitute a single instrument

(e) Severability In the event that any one or more of the provisions contained in this Agreement or in any other Related Document shall, for any reason, be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provision of this Agreement or any Related Document

(f) Closing Costs All sales, use, transfer or other taxes or fees attributable to the transfer of the Purchased Assets, as well as all charges for or in connection with recording of any document herein provided (collectively, "**Closing Costs**") shall be the sole responsibility of, and paid by, Buyer

(g) No Prorations Buyer and Seller agree that upon the Closing there shall be no proration of any charges related to the Business The parties agree that all such charges shall be paid in accordance with the provisions of the Lease Agreement

(h) Captions The captions in this Agreement are for convenience only and shall not be considered a part of or affect the construction or interpretation of any provision of this Agreement

(i) No Benefit to Third Parties Except as specifically set forth or referred to herein, nothing in this Agreement is intended or shall be construed to confer upon or give to any person or corporation other than the parties hereto and their successors or permitted assigns, any rights or remedies under or by reason of this Agreement

(j) Governing Law This Agreement shall be governed by and construed in accordance with the laws of the State of California

(k) Remedies Except as expressly provided herein, the rights, obligations and remedies created by this Agreement and the Related Documents are cumulative and in addition to any other rights, obligations or remedies otherwise available at law or in equity

(l) Amendments This Agreement may not be amended, modified or altered except by a written instrument executed by all parties hereto

(m) Gender, Number As used herein, the masculine, feminine or neuter gender, and the singular or plural number, shall each be deemed to include the others whenever the contents so indicates

(n) Attorneys' Fees Should any party be required to bring legal action (including arbitration) to enforce its rights under this Agreement, the prevailing party in such action shall be entitled to recover from the losing party its reasonable attorneys' fees and costs in addition to any other relief to which it is entitled

(o) Interpretation The language of this Agreement shall not be construed against any party, it being understood that all parties have participated in the negotiation and drafting of this Agreement

[Signature Page Follows]

IN WITNESS WHEREOF, the parties have duly executed this Agreement as to the date first written above

"SELLER"

_____,
a(n) _____

By _____
Name _____
Title _____

"BUYER"

_____,
a(n) _____

By _____
Name _____
Title _____

EXHIBIT A

BILL OF SALE AND ASSIGNMENT

BILL OF SALE AND ASSIGNMENT OF ASSETS

THIS BILL OF SALE AND ASSIGNMENT OF ASSETS is made and entered into as of the ___ day of _____, 201_, by _____, a _____ (the "**Seller**")

FOR GOOD AND VALUABLE CONSIDERATION, the receipt and sufficiency of which are hereby acknowledged, and as contemplated by that certain Asset Purchase Agreement dated_____ __, 201___ (the "**Purchase Agreement**"), by and between the Seller, and _____("**Buyer**"), effective as of the Effective Time, the Seller hereby sells, assigns, and transfers to Buyer, all of the Seller's right, title and interest in and to all of the Purchased Assets (as defined in the Purchase Agreement)

The terms of the Purchase Agreement, including, but not limited to, the representations and warranties, covenants, agreements and all indemnities are incorporated herein by this reference The Seller acknowledges and agrees that any representations, warranties, covenants, agreements and indemnities contained in the Purchase Agreement shall not be superseded hereby but shall remain in full force and effect to the fullest extent provided therein In the event of any conflict or inconsistency between the terms of the Purchase Agreement and the terms hereof, the terms of the Purchase Agreement shall govern

IN WITNESS WHEREOF, the Seller has executed this Bill of Sale and Assignment of Assets as of the date first written above

"**Seller**"

_____

By _____
Name _____
Its _____

Acknowledged

_____

By _____
Name _____
Its _____

EXHIBIT B

LEASE AGREEMENT

Schedule 1(a)

Purchased Assets

Schedule 1(b)(v)

Excluded Assets

Schedule 3

Allocation of Purchase Price

Schedule 6(c)(i)

Permitted Encumbrances

Schedule 6(c)(ii)

Master Lease

~ See Exhibit __ to Lease Agreement ~

EXHIBIT H
Operations Manual Table of Contents

TABLE OF CONTENTS

No 1	**General Information**	
Section A	Purpose	Page 14
Section B	Manual Revisions	Page 14
Section C	Corporate Contact Information	Page 14
Section D	Certificate of Insurance	Page 14
Section E	Health Department	Page 14
Section F	Reporting Foodborne Illness	Page 14
Section G	ADA Compliance	Page 15
Section H	Hours of Operation	Page 15
Section I	Holiday Decor	Page 15
Section J	Robbery and Theft	Page 15
Section K	Guest Injury	Page 15
Section L	Employee Injury	Page 15
Section M	Products with Foreign Objects	Page 15
Section N	Open Carry	Page 16
No 2	**Training**	
Section A	Management Certification	Page 17
Section B	Annual General Manager Conference	Page 18
Section C	Learning Management System	Page 18
Section D	Manager Training Classes	Page 18
Section E	Product and Company Initiative Training	Page 18
No 3	**Facility**	
Section A	Specifications	Page 19
Section B	Exterior Facility	Page 19
	1 Awnings	Page 19
	2 Building Exterior	Page 19
	3 Curbs	Page 19
	4 Drive Thru	Page 19
	5 Drive Thru Menu Board and Speaker	Page 19
	6 Drive Thru Window Area	Page 19
	7 Dumpster	Page 20
	8 Flags	Page 20
	9 Landscape	Page 20
	10 Lighting	Page 20

TABLE OF CONTENTS

Section B **Exterior Facility (Continued)**

11	Newspaper Stands	Page 20
12	Parking Lot	Page 20
13	Patio Area	Page 20
14	Payphones	Page 21
15	Roof	Page 21
16	Sidewalks	Page 21
17	Signage	Page 21
18	Trash Receptacles/Cigarette Urns	Page 21
19	Windows Doors and Frames	Page 21

Section C **Front of the House**

1	Booths	Page 21
2	Bussing Station	Page 21
3	Ceiling	Page 22
4	Chairs	Page 22
5	Condiment Station	Page 22
6	Counters	Page 22
7	Decor	Page 22
8	Doors	Page 22
9	Drink Station/Ice Bins	Page 22
10	Floors	Page 22
11	Floor Drains	Page 23
12	Floor Mats	Page 23
13	High Chairs/Boosters	Page 23
14	Lighting	Page 23
15	Restrooms	Page 23
16	Tables	Page 23
17	Walls	Page 23
18	Windows	Page 24
19	Window Treatments	Page 24
20	Vents	Page 24

Section D **Back of the House**

1	Ceiling	Page 24

TABLE OF CONTENTS

Section D **Back of the House (Continued)**

2	Back door	**Page 24**
3	Bulletin	**Page 24**
4	Floors/Drains	**Page 24**
5	Lighting	**Page 25**
6	Mop Sink	**Page 25**
7	MSDS Station	**Page 25**
8	Pest Control	**Page 25**
9	Shelving	**Page 25**
10	Sinks	**Page 25**
11	Storage	**Page 26**
12	Walls	**Page 26**

Section E **Equipment**

1	Air Curtain	**Page 26**
2	ATM Machines	**Page 26**
3	Bussing Carts	**Page 26**
4	Bread Rack	**Page 26**
5	Broiler	**Page 26**
6	Broiler Nieco	**Page 26**
7	Coffee Grinder	**Page 27**
8	Coffee Maker	**Page 27**
9	Computer	**Page 27**
10	Cooks Line	**Page 28**
11	CO2 Tank	**Page 28**
12	Dish Machine	**Page 28**
13	Drink System	**Page 28**
14	Exhaust Hood/Filters	**Page 28**
15	Fax Machine	**Page 29**
16	Fire Extinguishers	**Page 29**
17	Fire Suppression	**Page 29**
18	Freezer	**Page 29**
19	Fryers	**Page 29**
20	Glass Door Merchandiser	**Page 29**

TABLE OF CONTENTS

Section E **Equipment (Continued)**

21	Grill Vents	**Page 29**
22	Heat Lamps	**Page 30**
23	HVAC	**Page 30**
24	Ice Machine	**Page 30**
25	Menu Boards	**Page 30**
26	Microwave	**Page 30**
27	Music System	**Page 30**
28	Point of Sale System	**Page 30**
29	Phone	**Page 30**
30	Printers	**Page 30**
31	Salad Spinner	**Page 31**
32	Salad Station	**Page 31**
33	Safe	**Page 31**
34	Scales	**Page 31**
35	Security Systems	**Page 31**
36	Slicer	**Page 31**
37	Soup Warmer	**Page 31**
38	Steam Table	**Page 31**
39	Ticket Rails	**Page 32**
40	Toaster	**Page 32**
41	Toaster Bun	**Page 32**
42	Tomato Dicer	**Page 32**
43	Tomato Witch	**Page 32**
44	Walk-in Cooler	**Page 32**
45	Water Heater	**Page 32**
46	Water Softener	**Page 32**
47	Wedger	**Page 33**
48	Under-counter Refrigeration	**Page 33**
49	Shake Mixer	**Page 33**

Section F **Smallwares**

1	Can Opener	**Page 33**
2	Condiment/Creamer Holder	**Page 33**

TABLE OF CONTENTS

Section F	**Smallwares (Continued)**	
	3 Cooking Pans	**Page 33**
	4 Cutlery	**Page 33**
	5 Cutting Boards	**Page 33**
	6 Insert Pans	**Page 34**
	7 Service Ware	**Page 34**
	8 Storage Boxes	**Page 34**
	9 Thermometers	**Page 34**
	10 Trash Receptacles	**Page 34**
	11 Utensils	**Page 34**
Section G	**Approved Equipment List**	**Page 35**
No 4	**Restaurant Operations**	
Section A	**Opening Inventory**	**Page 36**
Section B	**Opening Smallware Inventory**	**Page 36**
Section C	**Staffing**	**Page 36**
Section D	**Food Product Specifications**	**Page 36**
Section E	**Approved Vendors**	**Page 43**
Section F	**Safety**	**Page 43**
Section G	**Service Dogs**	**Page 43**
Section H	**Guest Service**	**Page 45**
	1 Dine-in Orders	**Page 45**
	2 Cashier and Food Server Service Standards	**Page 45**
	3 Phone Order Standards	**Page 45**
	4 Carryout Order Standards	**Page 46**
	5 Carryout and Phone Order Condiment Standards	**Page 46**
	6 Drive Thru Service Standards	**Page 46**
Section I	**Uniform and Personal Hygiene**	**Page 47**
	1 Uniform Guidelines	**Page 47**
	2 Server Uniform	**Page 47**
	3 Line Cook/Prep Cook Uniform	**Page 47**
	4 Management Uniform	**Page 47**
	5 Franchisee Uniform	**Page 47**
	6 Personal Hygiene Requirements	**Page 48**

TABLE OF CONTENTS

No 5	**Human Resources**	
Section A	Human Resources References	Page 49
No 6	**Financial**	
Section A	Preparing Financial Statements	Page 50
Section B	Franchise Reporting Requirements and Procedures	Page 50
No 7	**Marketing**	
Section A	Marketing Activity Report	Page 51
Section B	Printed Signage	Page 51
Section C	Local Print Advertising	Page 51
Section D	Point of Purchase	Page 51
Section E	Guest Loyalty	Page 52
Section F	Menu Policy	Page 52
No 8	**Appendix**	
	Company Sponsored Test Agreement	Page 59
	Franchise Sponsored Test Request / Agreement	Page 63
	Marketing Activity Log	Page 67
	Sample Income Statement	Page 68
	Sample Balance Sheet	Page 69
	Foodborne Illness Incident Report	Page 70
	Guest Injury Report	Page 71
	Vendor List Equipment and Supplies	Page

EXHIBIT I
List of Franchisees

LIST OF FRANCHISEES AS OF JANUARY 29 2017

FRANCHISEE	PHONE	ADDRESS	CITY	ST	ZIP
Rod Hakim	(714) 826-6350	2800 W Lincoln Ave	Anaheim	CA	92801
Michael Ledbetter	(661) 322-3600	5544 California Ave	Bakersfield	CA	93309
Michael Ledbetter	(661) 871-5700	2617 Haley St	Bakersfield	CA	93305
Michael Ledbetter	(661) 654-8300	4920 Gosford Rd	Bakersfield	CA	93313
Alex Rosales	(626) 856-1000	14430 Merced Ave	Baldwin Park	CA	91706
Sam Fangary	(951) 845-4414	1538 2 ™ St Market Place	Beaumont	CA	92223
Millie Dhillon	(909) 873-5800	18694 Valley Blvd	Bloomington	CA	92316
Millie Dhillon	(951) 248-1244	3356 South Riverside Ave	Bloomington	CA	92316
Joseph Sadek	(714) 990-2424	500 W Lambert Rd	Brea	CA	92821
Rod Hakim	(714) 826-2280	6001 Lincoln Ave	Buena Park	CA	90620
Joseph Sadek	(209) 531-2410	3125 E Service Rd	Ceres	CA	95307
Kevin Kelly	(818) 993-1072	20810 Nordhoff Street	Chatsworth	CA	91311
Michael Ledbetter	(909) 548-4400	13675 Central Ave	Chino	CA	91710
Ali Alipour	(951) 520-0077	263 N Lincoln Ave	Corona	CA	92882
Larry Farrugia	(951) 737-3411	1625 E 6 Street	Corona	CA	92879
Mike Ledbetter	(626) 858-5255	701 N Grand Avenue	Covina	CA	91724
Andreas Andreou	(760) 739 0700	925 W Mission Ave	Escondido	CA	92025
Omar Mawas	(760) 738 6188	1333 E Valley Parkway	Escondido	CA	92027
George Sadek	(909) 854-8233	16015 Sierra Lakes Pkwy	Fontana	CA	92336
Paresh Patel	(714) 578 5000	1446 N Harbor Blvd	Fullerton	CA	92835
Michael Philippou	(559) 583 9900	200 S 12 Ave	Hanford	CA	93230
Sam Fangary	(951) 658-8822	1201 S Sanderson Ave	Hemet	CA	92545
Vimal Bhanvadia	(760) 956-5550	12727 Main Street	Hesperia	CA	92344
Elizabeth Floutsis	(760) 863-5050	81959 Highway 111	Indio	CA	92201
Sherry Lin	(626) 815 8899	6600 Irwindale Ave	Irwindale	CA	91706
Sherry Lin	(626) 337-6999	15662 Arrow Hwy	Irwindale	CA	91706
Sherry Lin	(661) 723-8800	43408 10" Street West	Lancaster	CA	93534
Dennis Smith	(213) 228-8999	726 S Alameda St	Los Angeles	CA	90021
Omar Mawas	(323) 466-0073	5519 Hollywood Blvd	Los Angeles	CA	90028
Andriana Bonorris	(909) 287-1999	10966 Central Ave	Montclair	CA	91763
Jeff Barnes	(951) 304 9400	41300 Kalmia Street	Murrieta	CA	92562
Kevin Kelly	(818) 882-7888	9010 Reseda Blvd	Northridge	CA	91324
Joseph Sadek	(714) 771-2343	1220 N Batavia St	Orange	CA	92866
Dilip Bhavnani	(909) 392-0909	2790 N Garey Avenue	Pomona	CA	91767
Maria McGarrell	(909) 622-7929	625 Rio Rancho Road	Pomona	CA	91766
Elizabeth Floutsis	(909) 987 6100	11499 Foothill Blvd	Rancho Cucamonga	CA	91729
Elizabeth Floutsis	(909)793-0333	27471 San Bernardino Ave	Redlands	CA	92374
Nick Georgiou	(909) 873-9900	1310 W Baseline Rd	Rialto	CA	92376
Joseph Sadek	(209) 869-2575	2453 Claribel Rd	Riverbank	CA	95367
Maria McGarrell	(951) 782 9003	2901 Iowa Avenue	Riverside	CA	92507
Mike Ledbetter	(951) 351-9700	3303 Madison St	Riverside	CA	92504
Osameh Shtayyeh/Mohammed	(951) 637-2464	3883 Pierce	Riverside	CA	92503
Jeff Barnes	(951) 681-6800	3735 Valley Way	Rubidoux	CA	92509
Sam Fangary	(909) 473-1717	1766 W Kendall Drive	San Bernardino	CA	92407
Samit Patel	(562) 404-5599	13220 E Imperial Hwy	Santa Fe Springs	CA	90670
Michael Philippou	(559) 687-9900	1197 E Prosperity	Tulare	CA	93274
Andriana or Paul Bonorris	(909) 920-9777	1170 W Foothill Blvd	Upland	CA	91787
Michael Philippou	(760) 952-1919	14280 Bear Valley Rd	Victorville	CA	92392
Peter Philippou	(760) 243-4844	12916 Hesperia Rd	Victorville	CA	92392
Vimal Bhanvadia	(760) 951-7799	15617 Roy Rogers Dr Suite	Victorville	CA	92394
Phillip Johnson	(909) 790-7768	32711 Yucaipa Blvd	Yucaipa	CA	92399
Jimmy Philippou	(702) 434 0100	4450 N Lamb Blvd	Las Vegas	NV	89115
Jimmy Philippou	(702) 675-7555	2341 N Las Vegas Blvd	Las Vegas	NV	89030
Sam Fangary	(702) 871-8500	5847 S Decatur Blvd	Las Vegas	NV	89118
Sam Fangary	(702) 262-6221	5955 S Eastern Ave	Las Vegas	NV	89119

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

Franchise Agreements Signed For Restaurants That Are Not Yet Operational

FRANCHISEE	PHONE	ADDRESS	CITY	ST	ZIP
Amir Ibrahim	(760) 216-4122	23952 Avenida De La Carlota	Laguna Hills	CA	92653
Joseph and George Sadek	(951) 662-7369	600 South Harbor Blvd	La Habra	CA	90631
Emad and Gihan Wasif	(951) 316-1096	Pending	Irvine	CA	92614
Rafael Armenta Sr and Jr	(209) 596-1207	1701 Prescott Rd	Modesto	CA	95350
Rafael Armenta Sr and Jr	(209) 596-1207	Pending	Turlock	CA	TBD
Rafael Armenta Sr and Jr	(209) 596 1207	Pending	Manteca	CA	TBD
Rafael Armenta Sr and Jr	(209) 596-1207	Pending	Stockton	CA	TBD
Rafael Armenta Sr and Jr	(209) 596-1207	Pending	Tracy	CA	TBD
Dilip Bhavnani	(909) 802-6105	6962 Edinger Ave	Huntington Beach	CA	92647

EXHIBIT J
List of Corp and Affiliates' Restaurants

EXHIBIT J TO FDD
LIST OF CORPORATE & AFFILIATES AS OF JANUARY 29, 2017

STORE #	CORP & AFFILIATES	PHONE	ADDRESS	CITY	ST	ZIP
3002	Anaheim / La Palma	(714) 993 0990	4150 E La Palma Ave	Anaheim	CA	92807
1056	Clovis	(559) 299-0049	745 W Herndon	Clovis	CA	93612
2083	Commerce	(323) 727-5000	6315 Telegraph	Commerce	CA	90040
2048	Eastvale	(951) 685-9200	12545 Limonite Ave	Eastvale	CA	91752
1063	El Centro	(760) 336-0227	1532 Cruickshank Dr	El Centro	CA	92243
2079	El Segundo	(310) 648-7850	2161 E El Segundo Blvd	El Segundo	CA	90245
3007	Fontana / Slover	(909) 822-2300	14522 Slover Ave	Fontana	CA	92337
3087	Fontana/Cherry	(909) 429-3200	14505 Foothill Blvd	Fontana	CA	92335
2080	Gardena	(310) 380-4600	641 W Redondo Beach Blvd	Gardena	CA	90247
3091	Glendale Galleria	(818) 956-7053	1144 Glendale Galleria	Glendale	CA	91210
2065	Highland	(909) 862-6900	27250 5th St	Highland	CA	92346
2051	Lake Elsinore	(951) 245-8885	18288 Collier Ave	Lake Elsinore	CA	92530
1008	Loma Linda	(909) 799-6714	10475 Mountain View Ave	Loma Linda	CA	92354
3012	Mira Loma / Etiwanda	(951) 685-3000	4020 Etiwanda Ave	Mira Loma	CA	91752
1003	Moreno Valley - Pigeon Pass	(951) 924-9117	12240 Pigeon Pass Rd	Moreno Valley	CA	92557
1044	Moreno Valley - Perris	(951) 601-3350	15991 Perris Blvd	Moreno Valley	CA	92551
1081	French Valley/Murrieta	(951) 926 5100	30625 Benton Road	Murrieta	CA	92596
3005	Grove / Ontario Francis	(909) 923-6885	1190 E Francis St	Ontario	CA	91761
3010	Jurupa / Ontario	(909) 390-1199	1380 Etiwanda Ave	Ontario	CA	91761
3006	Milliken / Ontario	(909) 390-7160	54 S Milliken Ave	Ontario	CA	91761
2027	Ontario Haven	(909) 923-4700	2180 So Haven St	Ontario	CA	91761
3001	Perris / Ramona Exp Way	(951) 657-8250	145 A Ramona Expwy	Perris	CA	92571
2068	Haven Park / Rancho Cucamonga #2	(909) 941-2221	9670 Haven Ave Ste 101	Rancho Cucamonga	CA	91730
3004	Woodcrest / Riverside	(951) 789-9080	16880 Van Buren Blvd	Riverside	CA	92504
2009	University / Riverside	(951) 680-0900	3400 University Ave	Riverside	CA	92501
1052	Riverside Alessandro	(951) 656-6666	2000 E Alessandro Blvd	Riverside	CA	92508
2090	Tyler Galleria	(951) 687 1980	2260 Galleria at Tyler	Riverside	CA	92503
2025	San Jacinto	(951) 487-2946	1385 So State	San Jacinto	CA	92583
2030	Santa Ana	(714) 954-0750	2205 E 17th Street	Santa Ana	CA	92705
1011	Temecula	(951) 296-0220	41700 Winchester Rd	Temecula	CA	92590

STORE #	CORP & AFFILIATES	PHONE	ADDRESS	CITY	ST	ZIP
2017	Diamond Bar / Walnut	(909) 444 6800	810 S Brea Canyon Rd	Walnut	CA	91789
1082	Las Vegas #5	(702) 902-1900	7791 Tropical Parkway	Las Vegas	NV	89149
2084	Las Vegas #6	(702) 545-0870	4833 W Charleston Blvd	Las Vegas	NV	89146
2089	Las Vegas #7	(702) 462 9824	7010 S Rainbow Blvd	Las Vegas	NV	89118

EXHIBIT K
List of Former Franchisees

EXHIBIT K
LIST OF FORMER FRANCHISEES
as of January 29, 2017

FORMER FRANCHISEES

None

EXHIBIT M
Closing Questionnaire

Farmer Boys
Franchise Closing Questionnaire

I have asked Farmer Boys Food, Inc ("Farmer Boys) to grant a FARMER BOYS^{SM} franchise to me or to a company in which I have an ownership interest ("Franchisee") Farmer Boys requires that I complete this questionnaire to confirm that Farmer Boys and its employees and representatives have fully complied with all applicable franchise registration and disclosure laws

1	Full name
2	Address
3	Franchisee is (Check applicable box) ☐ An individual ☐ A general partnership ☐ A limited liability company ☐ A Corporation ☐ A limited partnership
4	If the franchisee is other than an individual indicate the capacity in which the undersigned is authorized to act on behalf of the Franchisee (Check applicable box)
	☐ Officer (Insert Title)
	☐ Managing Member of LLC (Insert Title)
	☐ General Partner
	☐ Other (Please explain)
5	Have you received a Franchise Disclosure Document (FDD)? ☐ Yes ☐ No
6	On what date was the Franchise Disclosure Document (FDD) received and by whom? Recipient
	Date
7	Below please indicate the contracts proposed to be signed by you in connection with the purchase of the franchise (collectively referred to as the "Agreements) and the dates that the final forms of these Agreements were delivered to you

	Agreement	Date
☐	Lease Assignment Agreement	
☐	Non Disclosure and Non-Competition Agreement	
☐	Deposit Agreement	
☐	Personal Guaranty	
☐	Franchise Agreement	
☐	Assignment of Telephone Numbers	
☐	Authorization Agreement Prerranged Payment	
☐	Sublease Assignment	
☐		

8a	Date and place of first face-to-face meeting between you and a representative of Farmer Boys				
	Date				
	Place				
8b	Name of salesperson(s) handling this sale for Farmer Boys				
9	Were any oral or written statements made to you by Farmer Boys, the salesperson(s) listed above or any other representatives of Farmer Boys concerning the actual sales profits or earnings of any franchised or company-owned stores(s)(including the location) or potential sales profits or earnings that could be anticipated at the location?				
	☐	Yes	☐	No	
	If yes please explain in detail (attach additional sheet if necessary) **and if none, write "None**				
10	Have you carefully reviewed and understand the Franchise Disclosure Document (FDD) the Franchise Agreement and the other Agreements?				
	☐	Yes	☐	No	If No please explain
11	Did you ask Farmer Boys any questions concerning the Franchise Disclosure Document (FDD) or other Agreements that were not satisfactorily answered?				
	☐	Yes	☐	No	If Yes please explain
12	Did the sales person(s) listed above or any other employee or representative of Farmer Boys make any statement to you which is inconsistent with the information described in the Franchise Disclosure Document (FDD)?				
	☐	Yes	☐	No	If Yes please explain
13	Did you contact other franchisees of Farmer Boys to discuss your possible purchase of the franchise?				
	☐	Yes	☐	No	
14	If your answer to question 13 was yes please identify these franchisees (attach extra sheet if necessary)				

15	Did you employ an attorney to render advice to you concerning the purchase of the franchise?			
	☐	Yes	☐	No
	If yes, please insert the name address and telephone number of such attorney			
	Name			
	Address			
	Phone ( )		Fax ( )	
	E-mail			
16	Did you consult with an accountant or other financial advisor in connection with the purchase of the franchise?			
	☐	Yes	☐	No
	If yes please insert the name address and telephone number of such accountant or financial advisor			
	☐	Accountant	☐	Other (please describe)
	Other			
	Name			
	Address			
	Phone ( )		Fax ( )	
	E-mail			

I understand that Farmer Boys is acting in reliance on the truthfulness and completeness of my responses to the questions above in granting the franchise to me **I ACKNOWLEDGE AND AGREE THAT IN THE EVENT THAT ANY DISPUTE ARISES, THIS QUESTIONNAIRE WILL BE ADMISSIBLE AS EVIDENCE IN ANY LEGAL ACTION OR ARBITRATION PROCEEDING, AND I WAIVE, TO THE FULLEST EXTENT PERMISSIBLE UNDER THE LAW, ANY OBJECTION TO ADMISSION OF THIS QUESTIONNAIRE**

Dated _____ **FRANCHISEE**

I was offered the Franchise Disclosure Document in three formats
Hard Copy, CD-Rom or e-mail PDF
I chose to receive it in

	Hard Copy
	CD Rom
	e mail PDF

_____
Signature

EXHIBIT N
State Specific Addenda

EXHIBIT N
STATE SPECIFIC ADDENDA

CALIFORNIA

Neither the franchisor, nor any person or franchise broker identified in Item 2 of this Disclosure Document is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities Exchange Act of 1934, 15 U S C A 78a et seq , suspending or expelling the person from membership in the association or exchange

California Business and Professions Code §§ 20000 through 20043 provide rights to the franchisee concerning transfer, termination or non-renewal of a franchise If the franchise agreement contains a provision that is inconsistent with the law, the law will control

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

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

The franchise agreement provides that you must sign a release of claims as a condition of transfer and of renewal Under both the California Franchise Relations Act (Bus & Prof Code §§ 20000 to 20043) and the Franchise Investment Law (Corp Code §§ 31000 to 31516), a provision in a franchise agreement that requires you to waive your rights under either or both of these laws is void

Unless the transaction is exempt under the statue, Section 31125 of the California Corporations Code requires the franchisor to give the franchisee a special disclosure document before soliciting a proposed material modification of an existing franchise

The franchise agreement requires binding arbitration The arbitration will occur in Riverside, California, with the costs being determined according to the rules of the American Arbitration Association

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

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

ILLINOIS

Many states have statutes concerning the relationship between franchisor and franchisee These statutes deal with matters such as renewal and termination of franchises

Provisions of this sort will prevail over inconsistent terms in a franchise agreement Illinois has such a statute (815 ILCS 705/19 and 705/20)

The franchise agreement provides for termination upon bankruptcy A provision in a franchise agreement that terminates the franchise upon bankruptcy of the franchisee may not be enforceable under Title 11, U S Code Section 101

The franchise agreement includes a choice of law clause designating California law as the governing law Under Illinois law, a franchise agreement may not provide for a choice of law of any state other than Illinois Accordingly, Item17 w is amended to state "none" under the heading for "Section in Franchise Agreement" and "none" under the heading for "Summary " The franchise agreement is amended to omit Section 11 2

The franchise agreement requires you to sign a release of claims as a condition of relocation, transfer, or renewal of the franchise Under the law of Illinois, any provision that purports to bind a person acquiring a franchise to waive compliance with the franchise disclosure law of Illinois is void Accordingly, insofar as the franchise agreement requires you to waive your rights under the Illinois franchise law, these requirements are deleted from the franchise agreement This provision will not prevent the franchisor from requiring you to sign a general release of claims as part of a negotiated settlement of a dispute

MARYLAND

Amendments to ITEM 17 of the FDD

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

The franchise agreement says that we may require you to sign a general release of claims as a condition of renewal or transfer of your franchise Under Maryland law, this condition will not apply to any liability under the Maryland Franchise Registration and Disclosure Law

The franchise and area development agreements require you to disclaim the occurrence and/or acknowledge the non-occurrence of acts that would constitute a violation of the Maryland franchise law Section 14-226 of the Maryland Franchise Registration and Disclosure Law prohibits a franchisor from requiring a prospective franchisee to assent to any release, estoppel or waiver of liability as a condition of purchasing a franchise Therefore, these agreements should be considered amended to state that the representations are not intended to nor do they act as a release, estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law

Section 4-216 (c) (25) of the Maryland Franchise Registration and Disclosure Law requires a franchisor to file an irrevocable consent to be sued in Maryland Section 11 8 of the Franchise Agreement contains provisions requiring a franchisee filing any arbitration against the franchisor to agree to file the arbitration only in the State of California Accordingly, the Franchise Agreement is amended to permit a franchisee to bring an arbitration in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law

Any claims arising under the Maryland Franchise Registration and Disclosure law must be brought within three years after the franchise is granted

MINNESOTA

The Franchise Agreement requires binding arbitration The arbitration will occur in a state other than Minnesota, with costs being borne by the non-prevailing party Under Minnesota Statutes § 80C 21 and Minnesota Rule Part 2860 4400J, this section may not in any way invalidate or reduce any of the franchise owner's rights that are listed in Chapter 80C of the Minnesota Statutes

The Franchise Agreement requires application of the laws of a state other than Minnesota Under Minnesota Statutes § 80C 21 and Minnesota Rule Part 2860 4400J, this section may not in any way invalidate or reduce any of the franchise owner's rights that are listed in Chapter 80C of the Minnesota Statutes

With respect to franchises governed by Minnesota law, the franchisor will comply with Minn Stat Sec 80C 14, Subds 3, 4, and 5 which require, except in certain specified cases, that a franchisee be given 90 days notice of termination (with 60 days to cure) and 180 days notice of non-renewal of the Franchise Agreement

The Franchise Agreement requires you to sign a general release as a condition of renewing or transferring a franchise Minn Rule 2860 4400J prohibits us from requiring you to sign a release of claims arising under the Minnesota Franchise Law Therefore, any release we require you to sign will exclude claims arising under the Minnesota Franchise Law

The Franchise Agreement says that you may not maintain any action against us unless you a) deliver written notice of any claim alleged to exist to us within one hundred eighty (180) days after the event complained of becomes known to you and b) you begin an arbitration proceeding within one (1) year after the notice Under Minnesota law, any claims arising under Section 80C must be brought within three (3) years after the cause of action accrues Therefore, in Minnesota the Franchise Agreement is amended to provide for a three- (3-) year period within which to bring any Minnesota claims

NEW YORK

The Summary column of Item 17 d is amended to read "You may terminate upon any grounds permitted by law "

The Summary column of Item 17 j is amended to read "We may assign only to financially responsible assignee that we reasonably believe capable of performing our obligations under the franchise agreement and which expressly assumes these obligations in writing "

The Summary column of Item 17 s is amended to add the following "Revisions to the Manual will not unreasonably affect your obligations, including your economic obligations, under the Franchise Agreement "

The Summary column of Item 17 w is amended to add the following The foregoing choice of law should not be considered a waiver of any right conferred upon you by the General Business Law of the State of New York, Article 33 "

RHODE ISLAND

The Rhode Island Securities Division requires the following specific disclosures to be made to prospective Rhode Island franchisees

In spite of the provisions of Item 17 v and Item 17 w of the Disclosure Document, any litigation or arbitration arising under the Franchise Agreement will take place in Rhode Island or other place mutually agreed to by the franchisee and franchisor

In spite of the provisions of Article 11 of the Deposit Agreement and to the extent required by Section 19-28 1-14 of the Rhode Island Franchise Investment Act, the Franchise Agreement will be governed by the laws of the State of Rhode Island

SOUTH DAKOTA

The Franchise Agreement includes a covenant not to compete after termination of the franchise Covenants not to compete upon termination or expiration of the franchise agreement are generally unenforceable in the State of South Dakota, except in certain instances provided by law

The Franchise Agreement provides for arbitration in Riverside, California Under South Dakota law, arbitration must be conducted in a mutually agreed upon site in accordance with Section 11 of the Commercial Arbitration Rules of the American Arbitration Association

The Franchise Agreement designates California law as the governing law, except that the arbitration clause is to be construed under the Federal Arbitration Act and trademark issues are to be construed under the Lanham Act Franchise registration, employment, covenants not to compete, and other matters of local concern will be governed by the laws of the State of South Dakota, but contractual and all other matters will be subject to application, construction, enforcement, and interpretation under the governing law of California

Any provision in a franchise agreement which designates jurisdiction or venue or requires the franchisee to agree to jurisdiction or venue outside South Dakota is void with respect to any cause of action which is governed by the law of South Dakota

Under South Dakota law, termination provisions covering breach of the franchise agreement, failure to meet performance and quality standards, and failure to make royalty payments contained in the Disclosure Document and franchise agreement must afford a franchisee thirty (30) days written notice with an opportunity to cure the default prior to termination

Pursuant to SDL 37-5A-86, any condition, stipulation or provision purporting to waive compliance with any provision of this chapter or any rule or order under it is void Any acknowledgment, provision, disclaimer or integration clause or a provision having a similar

effect in a franchise agreement does not negate or act to remove from judicial review any statement, misrepresentation or action that would violate this chapter or a rule or order under this chapter

WASHINGTON

The State of Washington has a statute, RCW 19 100 180, that may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise There may also be court decisions which may supersede the franchise agreement in your relationship with the franchisor, including the areas of termination and renewal of the franchise

In Washington, provisions of the Franchise Agreement which unreasonably limit the statute of limitations or remedies under the Washington Franchise Investment Act, such as the right to jury trial, may not be enforceable

The Franchise Agreement requires application of the laws of a state other than Washington If there is a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, Chap 19 100 RCW, will prevail

The Franchise Agreement requires you to sign a general release of claims as a condition of renewing or reselling the franchise A release or waiver of rights signed by a franchise owner may not include rights under the Washington Franchise Investment Protection Act This will not prevent a franchisor from requiring you to sign a general release of claims as part of a negotiated settlement of a dispute after the agreement is in effect and when you are represented by independent counsel

Under Washington law, transfer fees may be collected only to the extent that they reflect the franchisor's reasonable estimated or actual costs for the transfer

EXHIBIT O
Receipts

Exhibit O – 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 Farmer Boys 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

If Farmer Boys 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, DC 20580 and the state agency listed on Exhibit A

Issuance Date May 26, 2017

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

☐ Robert J Campos 3452 University Avenue Riverside CA 92501 (951) 275-9900
☐ _____
☐ _____

Farmer Boys authorizes the respective agencies identified on Exhibit B to receive service of process for it in the particular state

I received a disclosure document that included the following Exhibits

A	State Agencies/Administrators	H	Operations Manual Table of Contents
B	Agents for Service of Process	I	List of Franchisees
C	Franchise Agreement	J	List of Corp and Affiliates Restaurants
C-1	SBA Addendum to Franchise Agreement		
D	Area Development Agreement	K	List of Former Franchisees
E	Sublease	L	Financial Statements
F	Lease	M	Closing Questionnaire
G	Asset Purchase Agreements	N	State Specific Addenda

Date _____
(Do not Leave blank)

Prospective Franchisee

By _____

Name _____

Individually and on behalf of the following entity

Company Name _____

Title _____

Exhibit O – RECEIPT (our copy)

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 Farmer Boys 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

If Farmer Boys 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, DC 20580 and the state agency listed on Exhibit A

Issuance Date May 26, 2017

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

☐ Robert J Campos 3452 University Avenue Riverside CA 92501 (951) 275-9900

☐ _____

☐ _____

Farmer Boys authorizes the respective agencies identified on Exhibit B to receive service of process for it in the particular state

I received a disclosure document that included the following Exhibits

A	State Agencies/Administrators	H	Operations Manual Table of Contents
B	Agents for Service of Process	I	List of Franchisees
C	Franchise Agreement	J	List of Corp and Affiliates Restaurants
C-1	SBA Addendum to Franchise Agreement		
D	Area Development Agreement	K	List of Former Franchisees
E	Sublease	L	Financial Statements
F	Lease	M	Closing Questionnaire
G	Asset Purchase Agreements	N	State Specific Addenda

Date _____
(Do not Leave blank)

Prospective Franchisee

By _____

Name _____

Individually and on behalf of the following entity

Company Name _____

Title _____