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FRANCHISE DISCLOSURE DOCUMENT

PENGQIAO LLC
2701 Custer Pkwy Ste 823
Richardson TX 75080
Phone (347) 567-1517

Fat Ni BBQ 胖妮烧烤

We are ***PengQiao LLC*** a Texas limited liability company We offer franchises to qualified individuals and entities to own and operate a Fat Ni BBQ™ franchise under our service marks, trade names, programs, and systems under the name "**FAT NI BBQ** " Our franchisees offer quality oriental-style barbecue and skewer food and related menu items to the public under the Service Marks and the FAT NI BBQ programs and systems (the "Method of Operation")

The total investment necessary to begin operation of a **FAT NI BBQ** franchise is **$305,013** to **$$602,294** This includes the initial investment of **$25,000** that must be paid to us

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

You may wish to receive your disclosure document in another format that is more convenient for *you To discuss the availability of disclosures in different formats, contact* Yan Chen at 2701 Custer Pkwy Ste 823, Richardson TX 75080 or at (347) 567-1517

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

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

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

ISSUANCE DATE April 23, 2019

STATE COVER PAGE

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

Call the state franchise administrator listed in Exhibit E 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

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

The Franchisor is at an early stage of development and has a limited operating history This franchise could be a higher risk investment than a system with a longer operational history

THE FRANCHISE AGREEMENT STATES THAT TEXAS 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

THERE MAY BE OTHER RISKS CONCERNING THIS FRANCHISE

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

Effective Date April 23, 2019

This Uniform Franchise Disclosure Document is effective as of

General FTC (for states not requiring registration) –**April 23, 2019**

States Requiring Registration (registration not approved if blank)

California
Hawaii
Illinois
Indiana
Maryland
Minnesota
New York
North Carolina
North Dakota
Rhode Island
South Carolina
South Dakota
Virginia
Washington
Wisconsin

TABLE OF CONTENTS

ITEMS

EXHIBITS

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

We are **PengQiao LLC** (called "We," "Us," or "Our") We were organized in Texas on July 24, 2017 We do business under the **FAT NI BBQ,** logo We do not intend to do business under any other names FAT NI BBQ and PengQiao LLC are called "us" or "we" or "FAT NI BBQ" in this Franchise Disclosure Document "You" means the prospective purchaser of a FAT NI BBQ franchise, and includes owners or partners of a corporation, partnership, or other legal entity that purchases a FAT NI BBQ franchise

We are the franchisor of the FAT NI BBQ franchise system We have been in business as a franchisor since July 8, 2017, and are expanding the franchising of a franchised system which has operated businesses of the type you will operate since 2009 These businesses are situated in New York, and have operated as independent businesses but will operate as franchises, and not company-owned outlets, upon commencement of an effective franchise registration We license our franchisees in specified territories to own and to operate franchises under the name "FAT NI BBQ" We authorize our franchisees to operate a Chinese barbecue restaurant, serving primarily oriental-style foods and specifically BBQ skewer, and to use our Method of Operation and our service marks in the operations of the franchisee's business

We have no parent company nor sister company affiliates

Our principal office address is 2701 Custer Pkwy, Ste 823, Richardson TX 75080 Our telephone number is (347) 567-1517 We began offering FAT NI BBQ franchises in approximately November 2017 We do not have any other business activities We have never offered franchises in any other line of business We have operated two locations which will become franchises in our system and which have operated as food carts in New York since 2009 We produce and sell innovative advertising and sales promotion materials We may attempt to negotiate group discount rates for the benefit of our franchisees for products, supplies, and equipment

Our registered agents for service of process are outlined in Exhibit D to this Disclosure Document

We retain the right to own or operate additional **FAT NI BBQ** franchises

The market for oriental barbecue restaurant retail outlets is emerging and growing in the United States The principal sources of direct competition for your franchise are similar businesses, some of which may be part of other, existing franchise chains that provide BBQ food to consumers Few offer Chinese BBQ, and often those menus differ significantly from the Fat Ni BBQ offerings Indirect sources of competition come from grocery or other supply sources where consumers may purchase their own ingredients

The target market is young adults in the 18-30-year-old demographic and young professionals, though the traditional BBQ market draws on many demographics, and few competitors in the

BBQ segment focus on the Chinese traditional BBQ offering of our system Because of the target market demographic, on closed school days the effect on the business may be noticeable

There may be federal, state, and in some cases local regulations pertaining specifically to the preparation and service of foods such as those used in FAT NI BBQ oriental-style barbecue and skewer food service locations and in the restaurant industry more generally These include regulations regarding food handling permits, employee training, and related items We will only approve ingredients, processes, and services which have received approval, as applicable Other legal regulations that apply to all businesses generally may include

Federal, state, and city, county, parish, borough, municipality or other local laws

Federal. Examples of federal laws are wage and hour, occupational health and safety, equal employment opportunity, hazardous materials communication to employees, hazardous waste and environmental, and the Americans With Disabilities Act

State. State laws may cover the same topics as federal laws Examples of state laws include environmental, occupational health and safety, fire, health, and building and construction laws

Local Local laws may cover the same topics as federal and state laws Examples of local laws include health and sanitation, building codes, fire codes, and waste disposal

This Disclosure Document contains a summary of some material provisions of the Franchise Agreement However, the Franchise Agreement expresses and governs the actual legal relationship between us and you

The Franchise Agreement does not make you our agent, legal representative, joint venturer, partner, employee, or servant for any purpose You will be an independent contractor and will not be authorized to make any contract, agreement, warranty or representation or to create any obligation, express or implied, for us

2.
BUSINESS EXPERIENCE

Xiao Peng Zhou - Owner

Mr Zhou has worked in BBQ and braised foods for over 30 years He is owner of Fat Ni BBQ, and has operated its food cart since 2009 Prior to Fat Ni BBQ, Mr Zhou worked in braised food for over 25 years, preparing food for sale at supermarkets, hotels, and restaurants

3.
LITIGATION

No litigation is required to be disclosed in this Item

4.
BANKRUPTCY

No bankruptcy is required to be disclosed in this item

5.
INITIAL FEES

The Initial Franchise Fee is **$25,000** The Initial Franchise Fee is paid in consideration for our sales expenses, administrative overhead, return on investment, and start-up costs related to the execution of the Franchise Agreement, the opening of the Franchise, and for our lost or deferred opportunity to sell franchises in the Franchise Territory to others Our 3D store design, initial training, on-site support, and site selection services are included in this Initial Franchise Fee Simultaneous with the execution of the Franchise Agreement, you will pay to us the entire Initial Franchise Fee

Before we enter into a franchise agreement with you, and in order to conduct further evaluation of your qualifications to become one of our franchisees, as well as to permit you more in-depth evaluation of our franchise system, we may ask you to enter into a franchise deposit agreement Such a franchise deposit agreement may permit you priority to become a franchisee in a geographic area that interests you, and has a nonrefundable $5,000 deposit associated with the agreement, which is credited toward your initial franchise fee upon signing the franchise agreement

We offer to qualified military veterans a 10% IFF discount on up to a total of five FAT NI BBQ restaurants developed under either past or present incentive offers These reduced fees only apply if all of the terms and conditions of the Military Veterans Development Incentive are met

We may offer other reduced or deferred IFFs in special circumstances, such as to franchisees that commit to and have the ability to develop a large number of Restaurants Additionally, we may have special incentive offers in certain markets, such as new and developing markets, which include reduced, waived or deferred IFFs These special incentives may be offered to existing and/or new franchisees These reduced fees only apply to those who are in compliance with all of our agreements and requirements

We may provide referral incentives to existing franchisees, employees, real estate professionals, franchise brokers and others for qualified referrals of prospective franchisees We reserve the right to determine the amount of these incentives, which may be equal to some or the entire IFF

We may also pay membership fees to public, quasi-public and private services that refer potential franchisees from identified groups (such as veterans or military personnel planning to leave the service)

Your initial supply of seasonings, vegetables, meats, drinks, and packaging materials, will be acquired from approved suppliers (not affiliated with us), generally at an initial cost of **$10,000 to $20,000** Likewise, your menu boards and signage will be acquired from approved third-party suppliers at a cost of approximately **$5,000 to $8,000**

You will attend an initial two- to four-week training at our headquarters or other designated site, as well as two weeks of training support performed on-site at your franchised location after you have completed initial training The on-site training will comprise operational aspects of training and business management The initial training at our headquarters or other designated site prior to your on-site training will yield travel and travel-related expenses

You will be required to obtain suitable premises, with an initial cost that may include the one month rent deposit and a deposit toward the first month(s) of rent, approximately **$8,333 to $83,334** to the landlord or prior property owner Your initial build-out of the restaurant will require obtaining equipment from third-parties at a cost of approximately **$30,000 to $70,000** The renovation and build-out will incur additional cost of approximately **$63/sqft to $100/sqft** paid to third-party contractors

You must open the franchise within **180** days after the date of the Franchise Agreement This time requirement may be extended for multiple franchise purchases If this obligation is not fulfilled, we may elect to terminate the Franchise Agreement by refunding one-quarter of the Initial Franchise Fee and any amount paid for purchases of unused advertising materials and apparel from us or our parent We may retain the remaining portion of the Initial Franchise Fee and any amount paid to us, our parent or our affiliates for used advertising material and apparel You must return any unused products you have obtained from us

The initial fees are uniform except as described in this Item 5 We intend to raise the initial franchise fee after certain growth levels have been attained The increased franchise fee and timing have not been determined as of this date

We may offer franchises at a reduced rate to prospective franchisees who in our opinion possess the knowledge and experience to conduct business with minimal assistance from us or who are purchasing multiple franchises Occasionally, we may grant new franchises to our owners and employees and their family members with reduced or no initial fees

The Initial Franchise Fee and the amount paid for the initial advertising materials are not refundable in whole or in part under any circumstances other than those listed above

6.
OTHER FEES

Name of Fee	Amount[1]	Date Due	Remarks
Licensing Fee	**4% of Gross sales**	Payable on the 5th of each month, for all treatments completed during the preceding month	This fee must be payable through automatic debit processes as outlined in the FAT NI BBQ Operating Manual
National Advertising Fee	**2 0%** of your monthly Gross Revenue	Payable on the 5th of each month, based on gross revenue of the preceding month	See Note 2 This fee must be payable through automatic debit processes as outlined in the FAT NI BBQ Operating Manual
Inventory	$3,500 to $10,000 per month, depending on sales volume	Upon delivery	We will provide a list of required purchases from us or approved third-party suppliers
Additional Training	The then-current rate of our personnel, currently **$250** per day	Before opening or after you open your franchise for business	You must give us not less than **30** days' prior written notice of your desire to receive additional training The duration of training is negotiable depending upon your needs You will not receive any compensation for services rendered by the trainee during this or any other training We may designate qualified franchisees or master franchisees to conduct some or all of your training

Name of Fee	Amount[1]	Date Due	Remarks
Refresher training programs and seminars	**$250** per registration, per person	Upon demand	In addition to a reasonable training fee, you are exclusively responsible for paying all travel, living and other expenses and compensation of attending refresher training programs and seminars (See Franchise Agreement, Section 3 2)
Cost to Attend Annual Convention and Trade Show	$1,000 to $3,500	As arranged with third party vendors, in years when a convention is held	You are required to attend our annual convention and trade show when it is held The amounts in this table are estimates for your travel, food and lodging costs to attend This is not a fee collected by us, these amounts are paid to third parties vendors Travel and lodging costs, including plane fares, may vary greatly based on your franchise location and the distance to the location of the annual convention
Transfer Fee	Greater of $7,500 or 5% of proposed purchase price for the business	Before transfer	The Transfer Fee will be paid by delivering (i) a non-refundable deposit of $1,000 with the written request for our approval of the proposed purchaser and (ii) the balance of the Transfer Fee on the closing date of the transfer This fee will reimburse us for our legal, accounting, credit check, and investigation expenses that result from the transfer
Renewal	Up to the greater of $10,000 or 25% of the then-current initial franchise fee	Immediately upon demand	

Name of Fee	Amount[1]	Date Due	Remarks
Step-In Right Costs	Out-of-pocket expenses and costs we incur	As Incurred	You must reimburse us for our out of pocket expenses and costs we incur if we step-in to operate your franchise according to Franchise Agreement
Late Charge	1 5% per month	Each month that amounts owed remain unpaid	You will not be compelled to pay late charges at a rate greater than the maximum allowed by applicable law
Late Payment Penalty	$10 per day from the date due until paid in full	As incurred	You will not be compelled to pay late payment penalty in an amount greater than the maximum allowed by applicable law
Addendum Fee[3]	$250	As incurred	You must pay us a processing fee for modifications to your franchise agreement that are made at your request Because those requests which you make are unknown to us, we do not know what proposed modifications that might include, and cannot anticipate which proposed modifications could be agreed to by us When you request an amendment or addendum to your franchise agreement or related agreements we may require that you sign a general release releasing us from all claims you may have except claims which, under state law, may not be released
Relocation	You will reimburse us for our out-of-pocket costs concerning the relocation, plus $2,500	Prior to relocation	Any relocation is subject to our prior approval

Name of Fee	Amount[1]	Date Due	Remarks
Audit[2]	Our costs for the audit if you understate revenue by more than 2% or fail to deliver to us required reports on time	Immediately upon demand	See notes below
Liquidated Damages (Non-Competition)	$200 per day	Upon demand	Paid for each day that you operate the franchise without having complied with the post-expiration and termination or transfer requirements
Liquidated Damages (Termination)	3% of average monthly revenue generated during twelve-month period prior to termination, multiplied by number of months remaining in your Agreement	As incurred	Should your material breach or non-cured default result in termination, you agree to a liquidated damage that accrues upon termination
Attorneys' fees and costs	Our actual costs	As incurred	Payable if we incur costs in obtaining injunctive or other relief for the enforcement of any term of the franchise agreement because of your default under the franchise agreement
Indemnification	Our actual costs	As incurred	You must reimburse us for claims against us involving your business operations, including reasonable attorneys' fees
Prohibited product or service fee	$300 per day of use of unauthorized products or services	If incurred	In addition to other remedies available to us Cure must be immediate upon oral or written notification The fee applies if you continue to sell or purchase an unauthorized product or service after we have notified you to cease

*Unless otherwise indicated above, all fees are imposed by and payable to us All fees are non-refundable Current fees are uniformly imposed and collected, as described above

NOTES

1 Taxes You must pay any taxes imposed as a result of your payment to us of initial or ongoing fees

2. Audits We may audit your reports, books, statements, business records, cash control devices, and tax returns at any time during normal business hours Audits will be conducted at our expense unless you understate the Gross Revenue for any reported period or periods by more than 2 percent or unless you fail to deliver any required report of Gross Revenue or any required financial statement in a timely manner In the event of an understatement or failure to deliver, you will reimburse us for all audit costs These will include, among other things, the charges of any independent accountant and the travel expenses, room, board, and compensation of our employees incurred in connection with the audit You will immediately pay all Licensing Fees, National Advertising Fees, Local Advertising expenditures and late payment charges that the audit determines are owed These payments will not prejudice any other remedies we may have under the Franchise Agreement or by law

3. Addendum Fee. If you request a modification to your Franchise Agreement that must be achieved through a written addendum to the agreement, we incur legal costs to prepare an appropriate legal document To defray these costs, for each addendum you request, we charge a processing fee Such a fee is assessed per addendum, and not per clause or change requested It is only assessed as actual requests for an addendum are approved, and upon completion and execution of the addendum Changes or addenda requested by us are not subject to this processing fee

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7.
ESTIMATED INITIAL INVESTMENT

YOUR ESTIMATED INITIAL INVESTMENT

EXPENDITURE	ESTIMATED AMOUNT	PAYMENT METHOD	When Due	TO WHOM
Initial Franchise Fee	$25,000	Cash, Check or Wire	Due upon signing Franchise Agreement	Us
Advertising	$5,000 to $20,000	As Incurred	As Incurred	Approved Suppliers
Franchise Premises Rent and Security Deposit (Note 2)	$8,333 to $88,334	As Incurred	As Incurred	Landlord
Supplies, Inventory, Technology Materials	$15,000 to $35,000	As Incurred	Before Opening and As Incurred thereafter	Approved Suppliers
Equipment (Notes 3 and 4)	$50,000 to $65,000	As Incurred	Before Opening and As Incurred thereafter	Approved Suppliers

EXPENDITURE	ESTIMATED AMOUNT	PAYMENT METHOD	When Due	TO WHOM
Initial inventory (Note 4)	$10,000 to $25,000	Cash	Due upon order	Approved suppliers
Initial training Travel and Living Expenses to Attend Training (2-4 people at $100 to $160/night, over 30 days, $30-40 per diem meals, and $400 round-trip fair per person for 2-4 people)	$8,600 to $25,600	Cash, Credit Card, Check or Wire	Before and During Training	Airlines, Hotels, Restaurants, etc
On-Site training Travel and Trainer Expenses (16 days with 1 arrival day, 14 on-site days, 1 departure day, $100-$170/night lodging, $30-$40 per diem meals)	$2,080 to $3,360	Cash, Credit Card, Check or Wire	Before and During Training	Airlines, Hotels, Restaurants, etc
Leasehold improvements	$162,500 to $260,000	As incurred	As incurred	Landlord or contractors who will build-out or renovate your identified space at approximately this cost per square foot
Insurance - liability and worker's compensation (initial deposit)	$1,500 to $5,000	As Incurred	Before Opening	Insurers
Professional Services	$2,000 to $10,000	As Incurred	As Incurred	Attorneys, Accountants, Etc
Additional Funds (Notes 1 and 5) - 3 Months	$15,000 to $40,000	As Incurred	As Incurred	Employees, Suppliers, Utilities, etc
TOTAL	**$305,013 to $602,294**			

Notes

You should anticipate the preceding initial expenditures in connection with the establishment of a **FAT NI BBQ** franchised business Additional factors related to each expenditure category are described in the following notes

Note 1 We estimate that the initial phase covered by the additional funds estimate to be approximately 3 months The high and low estimates are also based on the New York experience of the FAT NI BBQ brand and system and market analysis of the oriental-style barbecue and skewer and related food segment from 2009 to the present The predominant factors for calculating the 3-month estimates are amounts paid for your location, employee wages and inventory

Note 2 The typical franchise will need approximately 3,000 square feet of space for a dine-in restaurant location, or 30 square feet for a food truck location The cost of purchasing or leasing retail or warehouse space varies with the location and size of the premises

Note 3 You are required to have access to a reliable computer, telephone, internet services and reliable transportation

Note 4 Equipment is required as outlined in the FAT NI BBQ Operating Manual and a copy of an itemized projected supply and equipment list may be obtained from that Operating Manual prior to execution of your Franchise Agreement

Note 5 A minimum of **\$5,000 to \$25,000** of additional funds is strongly recommended You should plan on other sources of income to cover your living expenses You should review these figures carefully with a business advisor before making any decision to purchase the franchise

Note 6 No allowance has been made in this table for interest or other financing expenses related to opening the franchise The need for this type of expense will vary with the terms of any financing you get in connection with your franchise Financing sources may reduce your initial cash requirements, and the availability and terms of financing to any individual franchisee will depend upon factors including the availability of financing in general, your credit worthiness, the collateral security that you may have and policies of lending institutions concerning the type of business to be operated by you The investment and expenditures required of actual franchisees may vary considerably from the projections outlined above, depending on many factors, including geographical area, the amount of space leased by you and the capabilities of any particular management and service team If you are purchasing multiple franchises, you will incur the estimated initial expenditures for each franchise you operate

You will have the other usual expenses involved in establishing a business These expenses vary greatly They include, but are not limited to, attorney fees, license fees, deposits, sales tax bonds where required, pre-opening advertising and recruiting expenses, employee wages, utility costs, supply expenses, and personal living expenses

You must pay all taxes required by local, state or federal laws related to the services furnished or used in connection with the operation of your franchise You must obtain all permits, certificates or licenses necessary for the full and proper conduct of the franchise

The initial marketing program will include social media promotion as well as working with local media platforms to advertise the new store's opening

<u>**Note to Franchise Transferees**</u>

It is up to you and the selling franchisee to negotiate and determine the purchase price for the Franchised Business, which may include some or all of the items listed in the chart above We will not necessarily review or comment on the sufficiency or appropriateness of the purchase price to be paid by you To the extent that any of the items listed above are not included in the purchase price, you may need to incur these costs in addition to the purchase price A transfer of a franchise will require review of the purchase agreement, execution of an approved transfer acknowledgement agreement, execution of a termination and release of the departing franchisee, and execution of a new franchise agreement by the new franchisee as well as submission of an acceptable and approved franchisee application by the prospective franchisee

Note to Renewal Franchisees

As upon renewal, you will have already established the Franchised Business, you will not incur all of the above estimated amounts However, we may require you to renovate and replace equipment, signage, and the Franchise Premises as we may require to reflect and to comply with our then-current standards and image The cost of such renovation and replacement of the Franchised Business will vary depending on the condition of your Franchised Business and our assessment of the renovations which need to be made to bring the Franchised Business up-to-date with our then-current standards and image

Any fees paid to us are not refundable Amounts paid to any third parties may be refundable, depending upon the contracts between them and you

We do not finance any of these initial expenses The availability and terms of financing will depend on various factors including the availability of financing generally, your credit worthiness, security available to you, lending institution policies concerning the type of business to be operated by you, and other comparable elements

We require no other payments other than those already disclosed in Items 5, 6, and 7 of this Disclosure Document

These tables estimate your initial start-up expenses These figures represent our estimates based upon our experience and the experience of our licensees We do not guarantee that you will not have additional and different expenses than those we have identified in this table Your actual costs will depend upon many factors, including, how well you follow our directions and suggestions, your business skill and experience, local economic conditions, the local market for your products, the location and condition of your franchise premises, the prevailing wage rates, competition, and your sales levels during the initial period

You should review these estimates with your business advisors before you decide to purchase the franchise or to make any expenditure

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8.
RESTRICTIONS ON SOURCES OF PRODUCTS & SERVICES

We will lend to you a copy of our FAT NI BBQ Operating Manual at the mandatory training course described in Item 11, below We may amend the FAT NI BBQ Operating Manual, including changes that may affect minimum requirements for your franchise operations You will strictly follow the requirements of the FAT NI BBQ Operating Manual as we amend it You will carry out immediately all changes at your cost, unless we otherwise specify We reasonably may designate minimum standards for operations and designate guidelines, as specified in the FAT NI BBQ Operating Manual The FAT NI BBQ Operating Manual is confidential and our exclusive property

The FAT NI BBQ Operating Manual contains the **FAT NI BBQ** System and related specifications, standards, operating procedures, accounting and bookkeeping methods, marketing programs and ideas, advertising layouts, advertising guidelines, operation requirements, public relations guidelines, service guidelines, and other rules that we may prescribe

You must purchase all advertising materials from us or our approved suppliers to ensure uniformity and quality of the advertising Any equipment, products, inventory, or other items that bear the FAT NI BBQ logo or have the words "FAT NI BBQ" in them must be bought from us or an approved supplier

You must purchase all equipment, inventory, and all other items used in your franchised business from us or from approved suppliers to ensure the quality and uniformity of services in the FAT NI BBQ franchise system Among the approved suppliers, we or our designee may be the only approved supplier for certain ingredients, flavors, and certain equipment and packaging We may attempt to negotiate group discount rates for the benefit of our franchisees for products, supplies, and equipment

All specifications that we require of you and lists of approved suppliers will be included in the FAT NI BBQ Operating Manual We will upon request provide them to approved suppliers and suppliers seeking approval We will use our best judgment to set and modify specifications to maintain the integrity and quality of our franchise system

We are currently the only approved suppliers for advertising materials and equipment, products, inventory, and all other items that bear the FAT NI BBQ name or logo

With advance written notice, you may request our approval to obtain products, equipment, supplies or materials from sources that we have not previously approved We may require you to give us sufficient information, photographs, drawings, samples and other data to allow us to determine whether the items from these other sources meet our specifications and standards These specifications and standards will relate to quality, durability, value, cleanliness, composition, strength and the suppliers' capacity and facility to supply your needs in the quantities, at the times, and with the reliability necessary for efficient operation We will consider the supplier's reputation, years in business, financial status, and quality of goods and services in considering any request for supplier approval, and will respond to such a request within 2-7 business days We may require that samples from any supplier be delivered to a designated independent testing laboratory for testing before approval and use You will reimburse us for the actual cost of the tests We may license any supplier that can meet or exceed our quality control requirements and standards, for a reasonable license fee, to produce and deliver **FAT NI BBQ** products to you but to no other person Our confidential requirements, systems and formulas will be revealed to potential suppliers only after we have received reasonable evidence that the proposed supplier is trustworthy and reputable, has the capacity to consistently follow our standards, requirements and testing procedures, will maintain the confidentiality of the designs, systems and formulas, and will adequately supply your reasonable needs We will not unreasonably withhold approval of a supplier you propose We will notify you in writing of the approval or disapproval of any supplier you propose within 30 days of receiving written notice from you of your request for approval

We or our agents may inspect any approved manufacturer, supplier or distributor facilities and products to assure proper production, processing, packaging, storing, and transportation Permission for inspection will be a condition of our continued approval of any manufacturer, supplier or distributor If we find from any inspection that a manufacturer, supplier or distributor fails to meet our specifications and standards, we will give written notice describing this failure to you and to the manufacturer, supplier or distributor, with a notice that unless the failure or deficiency is corrected within 30 days, the manufacturer, supplier or distributor will no longer be approved

We may derive revenue from products and services that you are required to purchase This revenue results from sales by us and our parent to our franchisees of products bearing our names and services marks, certain marketing and brand development services, and rebates from third-party suppliers In fiscal years 2016, 2017, and 2018, we received no revenues from the sale of such products to our franchisees and from supplier rebates We estimate that purchases from us or approved suppliers will be from **10** to **30** percent of the total purchases you make to commence operations of your franchise We estimate that purchases from us or approved suppliers will be from **70** to **90** percent of the total purchases you make to operate your franchise on an ongoing basis

We may receive rebates, price adjustments, or discounts on products or services sold to you by recommended or approved suppliers These suppliers do not currently pay us a rebate on all franchisee purchases based on a percentage of sales such suppliers make to our franchisees, but may do so in the future, which might be on a percentage or as a flat amount, if such arrangements are negotiated in the future

We have designated an approved software system or portal based upon our accounting computer software and customer relationship management needs You are required to use this software, or any other system so designated in the Operations Manual, together with your accounting systems and a public accounting firm specified by us or otherwise approved by us in writing

There are no other obligations for you to purchase or lease according to specifications or from approved suppliers Except as explained above, we have no required specifications, designated suppliers or approved suppliers for goods, services, or real estate related to your franchise business Except as explained above, we will not derive revenue from your purchases or leases

We currently provide material benefits to franchisees based on use of designated or approved sources including the right to renew your franchise rights and to obtain additional franchises

We negotiate purchase arrangements with suppliers, including price terms for the benefit of our franchisee In the future, we hope to create and augment the effectiveness of cooperatives for the purchase of products and materials and the provision of advertising, for the benefit of the **FAT NI BBQ** franchise system

You may not sell any products, services or activities other than those specifically recognized and approved by us as part of our franchise system without our prior written approval

You are required to obtain and keep in force by advance payment of premium appropriate liability insurance The insurance will include, at a minimum, the following

A Comprehensive general liability insurance, including completed operations, property damage, contractual liability, independent contractors liability, and personal injury coverage with a combined single limit of at least **$1,000,000** per occurrence and **$2,000,000** aggregate, including umbrella coverage

B Workers' compensation and employer's liability insurance, and other insurance required by statute or rule of the state in which the franchise is located and operated

C Business interruption and lost profit insurance

D Employer Practice liability insurance

E Upon your commencement of delivery services, you must obtain automobile liability insurance, including owned, non-owned, leased and hired vehicle coverage, with a combined single limit of at least $1,000,000 for death, personal injury and property damage

The insurance will not be limited in any way because of any insurance we maintain Maintenance of the required insurance will not diminish your liability to us under the indemnities contained in this Agreement The policy or policies will insure against our vicarious liability for actual and, unless prohibited by applicable law, punitive damages assessed against you

We may require you to increase the minimum limits of and types of coverage to keep pace with regular business practice and prudent insurance custom

The insurance will insure us, you, and our respective subsidiaries, owners, officers, directors, partners, members, employees, servants, and agents against any loss, liability, products liability, personal injury, death, or property damage that may accrue due to your operation of the Franchise Your policies of insurance will contain a separate endorsement naming us as an additional named insured

In addition to the computer equipment we require you to purchase as disclosed in Item 7 above, we may require you to install and use accounting and business control computer systems approved by us You must lease, purchase or otherwise acquire, from sources of your choice and at your expense, software and hardware (including but not limited to programs, computer terminals and Internet) which strictly conform to our specifications as outlined in Item 11, below Your total purchase costs for these additional computer systems will range from $1,500 to $5,000

9.
FRANCHISEE'S OBLIGATIONS

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

OBLIGATION	SECTION IN FRANCHISE AGREEMENT	DISCLOSURE DOCUMENT ITEM
a Site selection and acquisition or lease	Section 1 1 & 1 2	Items 6 & 12

b Pre-opening purchases and leases	Sections 4 1, 5 1 & 8 2	Items 7 & 8
c Site development and other pre-opening requirements	Sections 1 3, 3 1, 4 1 & 5 1	Items 7, 8 & 12
d Initial and ongoing training	Sections 3 1 & 3 2	Items 6 & 11
e Opening	Sections 4 1 and 5 1	Item 11
f Fees	Sections 2 1, 2 2, 2 3, 2 4, 6 1, & 7 1	Items 5, 6 & 17
g Compliance with standards & policies/ FAT NI BBQ Operating Manual	Sections 5 & 6 3	Items 11 & 17
h Trademarks and proprietary information	Sections 1 1, 5 1, 5 3, 5 4, 5 5, 5 8, 5 9, 6 5, 9 2 & 9 10	Items 13, 14 & 17
i Restrictions on products and services offered	Sections 1 2, 1 5, 5 1, 5 2, 5 5, 5 6, 5 7, 5 9, 5 10, 6 3, 6 5	Items 8, 12, 13, 16 & 17
j Warranty and customer service requirements	Sections 5 1, 5 2 & 5 5	Item 11
k Territorial development and sales quotas	Section 1 1	Items 7 & 12
l Ongoing product & service purchases	Sections 2 9, 5 1, 5 2, 5 5, 5 9, 5 10 & 8 2	Items 7 & 8
m Maintenance, appearance and remodeling requirements	Sections 1 4, 5 1, 5 2, 5 5 & 6 5	Items 7, 11 & 17
n Insurance	Section 8 2	Item 7
o Advertising	Sections 1 5, 2 3, 2 4, 2 6, 5 1, 5 2, 5 3, 5 4, 5 5 & 6 5	Items 9 & 11
p Indemnification	Sections 6 7 & 8 1	Item 6
q Owner's participation/ management/ staffing	Sections 2 9, 3, 4 1, 5, 6 5, 6 8, 7, 9 3, 9 10, 9 12 & 9 14	Items 11, 15 & 17
r Records and reports	Sections 2 8, 5 1, 5 2 & 5 5	Items 6, 11 & 17
s Inspections and audits	Sections 2 9, 5 1, 5 2 & 5 5	Items 6, 11 & 17
t Transfer	Section 7	Item 17
u Renewal	Section 6 1	Item 17
v Post-termination obligations	Sections 5 8, 5 9, 6 5, 6 6, 6 8, 9 9, 9 10	Item 17
w Non-competition covenants	Sections 5 8, 5 9, 6 5, 6 6, 6 8, 9 9, 9 10	Item 17
x Dispute resolution	Sections 9 7 & 9 8	Item 17
y Liquidated Damages	Section 6 3, 6 5 & 9 8	Item 6

10.
FINANCING

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

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

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

A <u>Pre-Opening Obligations</u>

Before you open your franchise, we will

1) Designate your Franchise Territory in the Franchise Agreement before the Franchise Agreement is executed (Franchise Agreement, Section 1 1) It is your sole responsibility to locate a site for the franchised business (the "Franchise Premises"), which must be approved by us Our approval of the Franchise Premises is not a guarantee of the success that you will have You may not relocate the Franchise Premises without our prior written approval (Franchise Agreement, Section 1 4) Our approval of the location will be based on such factors as visibility to the public, projected vehicle and foot traffic, proximity to competitors, accessibility, and available parking After you submit a proposed location, we will review and provide a decision within 10 business days Our decision may approve, approve conditionally, or propose an alternative location If we are unable to agree with you on a suitable location within 120 days of the execution of the Franchise Agreement, your agreement will be terminated and the initial deposit or initial fee will be forfeited We will coordinate with local real estate agencies to assist you in identifying a site which you can confirm with that agent to be suitable to local laws and regulations We do not perform or coordinate the remodel or construction for the location build-out, but do provide 3D store effect design for use in that process
2) Provide initial orientation and training to you and your required manager(s) (Franchise Agreement, Section 3 1) Provide on-site pre-opening and opening training, supervision and assistance at your franchised FAT NI BBQ shop

3) Assist you in planning for your compliance with local laws and regulations to enable you to operate your franchised business
4) Loan you a copy of the FAT NI BBQ Operating Manual (Franchise Agreement, Section 5 1) The table of contents for our Operations Manual as of the date of this Disclosure Document is found in this Item
5) Give you a list of any approved or designated suppliers (Franchise Agreement, Section 5 1) This will assist in obtaining equipment, signs, fixtures, opening inventory, and supplies This assistance comes through your receipt of this list and delivery of digital design products, and does not involve direct assistance in placing orders or affixing or otherwise situating such items at your location Written specifications will be provided, but items will not be delivered or installed by us
6) Provide you with a design package and review your final plans and specifications to approve your build-out
7) Approve or assist in obtaining approved advertising content or materials At your election, we may provide this assistance through delivery of written specifications, or may additionally directly assist in making arrangements with approved suppliers We do not deliver or install the materials selected for your location

Time to Open

The typical length of time between the signing of the Franchise Agreement or first payment of consideration for the Franchise and the opening of the Franchise for business is about 4 to 16 months You are expected to complete the mandatory training and commence your franchise business operations within **180** days after you sign the franchise agreement Factors that may affect this time are finding and negotiating for the franchise premises, arranging for the training session, equipping the Franchise, obtaining initial inventory, financing and business permit requirements, and your personal operational needs Any failure caused by a war or civil disturbance, a natural disaster, a labor dispute, shortages or other events beyond your reasonable control will be excused for a time that is reasonable under the circumstances

If the commencement of operation obligation is not fulfilled, we may terminate the Franchise Agreement by refunding one-quarter of the Initial Franchise Fee We may retain the remaining portion of the Initial Franchise Fee You then are required to return any product or equipment you have obtained from us (Franchise Agreement, Section 4 1)

Operations Manual Table of Contents

The FAT NI BBQ Operating Manual is confidential and remains our property It contains mandatory and suggested specifications, standards and procedures We may modify the FAT NI BBQ Operating Manual, but the modifications will not alter your basic status and rights under the franchise agreement The revisions may include advancements and developments in supplies, products, equipment, sales, marketing, operational techniques, and other items and procedures used for the operation of the franchise As of the date of this disclosure document, the Table of Contents of the current version of the FAT NI BBQ Operating Manual consists of approximately **112** separate pages and currently includes

Training

We will give you an approximately 14-day training and familiarization program before the start of your business Training will be held at our headquarters (Franchise Agreement, Section 3 1) The initial training program is paid for in addition to the the Initial Franchise Fee All your accommodations, travel, room, board, and wage expenses during this period are borne exclusively by you The training program must be completed by all franchisees or their designated managers, unless, at our reasonable discretion, based upon a franchisee's experience, it is deemed unnecessary As of the date of this disclosure document, the current agenda for the training includes

TRAINING PROGRAM

Course/Subject	Hours of Class-room Training	Hours of On-the-Job Training	Location
Industry & Fat Ni BBQ Introduction	1		Texas
Human Resource Management	1		Texas
Financial Management	1		Texas
Customer Service	1		Texas
Equipment & POS system Training	1		Texas
Food Preparation	24-120		Texas
Food Preparation Exam	8		Texas
Exam Review & Skill Enhancement Training	16		Texas
Actual Store Practice		120	Your Location or Texas
Total	53-149	120	

* The Training Schedule may be amended

The training will be conducted by employees of our company or of one of our affiliates with at least one year of experience in the subjects they teach and at least one year of experience working in our company or one of our affiliates At this time, the trainers are

GuiQiao Chen (Owner)

Ms Chen started her own business since the age of 15 Her lifetime passion is cooking 25 years of experience in braised food, selling products to local large supermarkets, hotels and restaurants She entered bbq business in the year of 2009 She started with a food truck in a street corner in Flushing, NY Her first few days business performance was poor, earning $30 a day, but that doesn't stop her She started her small marketing plan, passing business card in local entertainment centers and flyers on the street That actually started to work out The business boomed, in a very short time, she's making profit and soon after expanded another food truck there In the year of 2016, she operated a dine-in restaurant in Texas and the restaurant soon began very popular, even the local magazine wrote an article about Fat Ni BBQ and recommended the restaurant

You must request to schedule a training session for your or the manager at least 35 days before the session is to start Training is scheduled and held on an "as needed" basis depending on the number of franchisees requesting training in a particular time frame and the franchisor's training personnel's availability The training session must be completed no later than 2 weeks before the scheduled date of the opening of the franchise

At least one of you or any designated full-time manager must complete the initial mandatory training program to our satisfaction or we may terminate the Franchise Agreement upon refunding the Initial Franchise Fee You or any designated full-time manager may attend the initial training program (not to exceed 3 trainees) You are encouraged to attend the training session as soon as possible after executing the Franchise Agreement and before incurring any costs or expenses related to the opening of the Franchise We will not be liable for your costs or expenses if we terminate the Franchise Agreement because you or the manager fails to complete the mandatory training to our satisfaction

You are responsible for all expenses you and your employees incur to attend the initial training, including transportation, meals, accommodations and entertainment

You, or one of your employees, must complete initial training within three months of the date of the franchise agreement

If you desire to have more than two individuals receive initial training, these additional individuals will be accommodated at our convenience We reserve the right to charge a reasonable fee for the provision of the training regardless of when and where the individuals participate in initial training

We may at any time during initial training inform you that an individual attending training on your behalf is not suitable due to criminal activities, disruptive behavior, poor attendance or other reasons Upon that notice, our obligations to train that individual will be deemed to have been discharged

If the franchise is managed by any persons other than you, you must notify us of the identity of the managers Each manager as hired must successfully complete the mandatory training program within one month after being hired You will pay for this training at our then current fee

Although not required by agreement, we may, at our discretion or upon your request, provide other supervision, assistance, and services before the opening of your business, such as literature, advertising materials, displays, flyers, additional training assistance and a selection of inventory and supplies

B <u>Our Obligations DURING the Operation of Your Franchise Business</u>

After you open your franchise, we will

1) We amend and revise the manual periodically
2) We provide refresher courses from time to time We do not charge for refresher courses that we require your personnel to attend, but you must pay the travel and living expenses and the salaries of your personnel We also provide training for additional and replacement managers and other employees who have not completed the initial training program, at your expense
3) We conduct operational reviews and other quality control measures to ensure compliance with our standards and to recommend improvements
4) We provide standards and lists of approved suppliers and distributors for your use in the acquisition of equipment, inventory, materials, supplies and furnishings for your franchised shop
5) We create, develop, and place advertising and promotional programs designed to promote and enhance all FAT NI BBQ shop businesses and, if we deem necessary, test marketing and market research activities, for the benefit of the FAT NI BBQ shop franchise system We will administer the marketing fund, and cooperatives if they are formed, as described below We will review all advertising materials you submit to us for your use in local advertising

6) We maintain a website to advertise and promote FAT NI BBQ shop businesses Your location will be included in a list of FAT NI BBQ shop locations on the FAT NI BBQ shop website

7) We maintain our website to offer online ordering system in place for your FAT NI BBQ shop businesses and a back-end franchisee management system

8) Our representatives will be available at all reasonable times to you for consultation by telephone or email or wechat concerning all aspects of operating the franchised business, upon reasonable notice, including the institution of proper administrative, bookkeeping, accounting, inventory control, supervisory and general operating procedures for the effective operation of a franchised business We may charge you a reasonable fee for providing on-site assistance at your request

9) We provide such other assistance and support as we may deem necessary or desirable to assist you in connection with the operation of the franchised business Operations assistance may consist of advice and guidance in the form of a franchisee newsletter or internet postings on our franchisee website and other updates and other written materials

Advertising

Currently we intend to promote our franchises through print, internet, and direct mail media Advertising programs may be implemented locally and regionally through advertising cooperatives We may use in-house advertising departments and may use regional advertising agencies We may provide to you advertising materials and point of sales aids for you to use in your local advertising and promotional efforts We will use your National Advertising Fees to place advertising in geographic areas, in media, at times and using products and services we deem to be in the best interest of our franchisees and our franchise system

We will provide you access to advertising and promotional materials as may be developed by us from time to time We reserve the right to charge you a fee for these materials All published advertising or sales material in any media must be approved in writing by us prior to release to the public If you fail to obtain our prior written approval, then you must pay us $500 per each unapproved advertising item, as liquidated damages and not as a penalty

Advertising Funds

You are required to pay to us 2 0% of your monthly Gross Revenue as a National Advertising Fee (see Item 6, above), under the methods designated by the Operations Manual We reserve the right to temporarily lower, suspend, or rebate the National Advertising Fee at any time, upon prior written notice to you and to our other franchisees We will administer the capital we receive as National Advertising Fees and direct all regional and national advertising programs with sole discretion over the creative ideas, materials, endorsements, placement, and allocation of overhead expenses We may use the National Advertising Fee to maintain, administer, direct, prepare, and review national, regional, or local advertising materials and programs as we, in our sole discretion, deem proper We are under no obligation to administer the National Advertising Fee to ensure that expenditures are proportionate to contributions of franchisees for any given market area or that any franchise benefits directly or proportionately from the development or placement of advertising We shall not be obligated to expend all or any part of the Fees we receive during any specific period

After the initial five company-owned FAT NI BBQ locations, each additional company-owned FAT NI BBQ operation in the United States offering products and services similar to our franchisees will make contributions to the fund equivalent to the contribution percentage required of our franchisees

Any National Advertising Fees not used in the fiscal year in which they were contributed will be applied and used for advertising expenses in the following year

We do not use any of the National Advertising Fee to advertise our franchise opportunity, although we will place notices that franchises are available on advertising materials and on the internet While advertising materials note that franchises are available from us, no advertising fees or assessments we collect from our franchisees are used for advertising that is principally a solicitation for the sale of franchises

Summary of National Advertising Fee Contributions and Expenses for Fiscal Year 2018

Expenses	Corporate overhead	$0	
	Advertising and Brand Development	$0	
Total expenses		**$0**	**100%**
Advertising fund contributions		$0	
Excess of expenses over contributions		$0	

The National Advertising Fees are administered by us The National Advertising Fees are not audited Neither we nor any of our affiliates or owners receive any payment for providing goods or services paid for by the National Advertising Fees You may obtain an accounting of the National Advertising Fees and expenditures upon written request to us

Local Advertising Expenditures

You are not required to engage in local advertising or to spend a minimum amount of money on local advertising

Promotional Materials

You may develop local advertising materials for your own use, at your own cost, following advertising criteria that we establish We must approve the advertising materials in advance We will endeavor to approve or disapprove the advertising materials within 15 days after we receive it from you If not approved, proposed changes or an explanation for the denied request will be provided

Other than the National Advertising Fees described above, there are no other advertising funds in which you must participate

Computer Systems

We will require you to have a computer system with accounting and business control capacities You must purchase your point of sale system from our supply affiliate (waiting to be established) Aside from the point of sale system, we do not specify the brand or model of computer or printers you must use, but any computer you use must be industry-standard and meet our specifications, and we may specify brands or models in the future Your printer or printers must have the ability to print customer receipts at the point of sale and appropriately mark diningware with our trademark and logo You may obtain the computer equipment from any vendors so long as the vendors meet our requirements

Your systems must be Internet-connected via broadband at all times and interfaced with our system to enable us to electronically access your daily receipts figures from our headquarters at any time In other words, we will have independent access to the information generated and stored in your cash register or computer systems There are no contractual limitations on our right to access this information

We will manage the license with the point-of- sale provider we select for the system of FAT NI BBQ shops nationally You will pay such provider its standard fee for such license, which is currently approximately $50-100 per month This monthly fee includes all required update and upgrades to the system

We do not require that you engage any other third party vendor to maintain your computer system But if you do, any updates or upgrades will be at your expense The cost of maintaining, updating or upgrading your computer system or its components in addition to the point-of- sale maintenance might range from nothing to as much as $2,000 in any year It will depend on local costs of computer maintenance services in your area and technological developments that we cannot predict We may also require upgrades in accordance with the terms of the franchise agreement There is no limitation on the frequency or cost of such upgrades

The cost of the required computer, point of sale system and printer is approximately $1,000 to $3,000

We may require you to use an information processing and communication system that is fully compatible with any program or system which we, in our sole discretion, may employ If we require, you must record and transmit all financial information using this system and our designated ISP or other communication vendors We may at our discretion change standards for reporting to provide effective technology for the entire system We will have full ability to poll your data, system, and related information by means of direct access whether in person or by telephone/modem We will have independent access to the information that will be generated and stored in your information processing and communication system We will have access to all of your data and there will be no contractual limitation on our right to access your information or data We will not implement any electronic system that will disrupt or damage your electronic system, and our access will be read-only

Other than our proprietary software referenced above, none of the hardware or software you are required to obtain is proprietary to us Any hardware and software that is functionally equivalent and fully compatible to that listed may be used, except for your estimating software

E-Problem Disclaimer Computer systems are vulnerable in varying degrees to computer viruses, bugs, power disruptions, communication line disruptions, Internet access failures, Internet content failures, the Year 2000 and similar date related problems, and attacks by hackers and other unauthorized intruders ("E-Problems") We have taken reasonable steps so that E-Problems will not materially affect our business We do not guarantee that information or communication systems that we or others supply will not be vulnerable to E-Problems It is your responsibility to protect yourself from E-Problems You should also take reasonable steps to verify that your suppliers, lenders, landlords, customers, and governmental agencies on which you rely have reasonable protection from E-problems This may include taking reasonable steps to secure your systems including firewalls, password protection, and anti-virus systems, and to provide backup systems

12. TERRITORY

Franchise Territory

We will grant you a specific territory within which you will operate your franchised business (the "Franchise Territory" or "Territory") A typical franchise territory consists of your approved location, as mutually selected and approved The exact location of the Franchise Territory offered to you will depend upon our market analysis, market penetration plans, and franchise placement strategies Your approval will also be considered in designating the Franchise Territory Among the factors we consider to determine the feasibility of possible franchise territory locations are population demographics and other businesses in the area according to census and chamber of commerce information

The Franchise Territory is identified in Section 1 1 of the Franchise Agreement You maintain rights to your location even though the population near your location may increase You may deliver take-out orders and provide catering service to customers in your area as long as the product is fresh at the time of delivery Such sales will be included in gross sales for all purposes, including your reports, royalties and advertising fund calculations Except for take-out orders and catering service, you may not sell FAT NI BBQ products or services in any manner other than from the shop premises You may not market or sell outside of your territory in any manner or do any Internet advertising without our prior written approval, which we may withhold in our discretion You may promote the business through social media and similar means as long as such promotion is consistent with guidelines we issue from time to time

You may not establish or operate any other **FAT NI BBQ** establishment without executing a separate franchise agreement for that facility To establish additional franchise outlets, you must not be in default in any material provision of any and all agreements between you and us, your proposed location must meet our franchise placement and market penetration criteria, and you must sign our then-current franchise agreement

You will not receive an exclusive territory You may face competition from other franchisees, from outlets that we own, or from other channels of distribution or competitive brands that we control

You agree not to conduct the business outside the Franchise Territory without our prior written consent

We reserve the right to acquire the assets or ownership interests of one or more businesses providing services similar to those provided by the Franchised Business, and franchising, licensing or creating similar arrangements with respect to these businesses once acquired, wherever these businesses (or the franchisees or licensees of these businesses) are located or operating (including within the Territory)

Relocation

You must receive our written permission before you relocate your franchise Any relocation will be at your sole expense You must satisfy our then current franchise placement and demographics criteria, as expressed in the Operations Manual

Continuation of Your Franchise

Your territorial exclusivity is not dependent upon achievement of a certain sales value, market penetration, or any other contingency There are no other circumstances that permit us to modify or alter your territorial rights during the term in your Franchise Agreement

First Right of Purchase and Right of First Refusal

You do not receive the right to acquire additional franchises or grant sub franchises within the Franchise Territory or in contiguous territories Other than the first right of refusal outlined above, you have not been extended options, rights of first refusal, or similar rights to acquire additional franchises or grant sub franchises within the Franchise Territory or in contiguous territories

Minimum Sales Quota

There are no minimum sales quotas required by your Franchise Agreement

Our Use of the Service Marks and *FAT NI BBQ* Products and Services

We retain all rights not specifically granted to you in the Franchise Agreement This includes our right to use or license the use of our service marks and trademarks to others Neither we nor our affiliates are restricted from participating in other distribution methods, whether or not within the Franchise Territory, including Internet, other forms of media now or in the future developed, wholesale and mail order channels, whether under our principal marks or under marks and product configurations different than those offered through your franchise

We retain the sole right to market on the Internet, including all use of web sites, domain names, URL's, linking, meta-tags, advertising, auction sites, e-commerce, and co-branding arrangements We also retain the sole right to use the Service Marks on the Internet, including on web sites, as domain names, directory addresses, meta-tags, and in connection with linking, advertising, co-branding, and other arrangements We retain the right to approve any linking or other use of our web site You may not establish a presence on or market using the Internet except as we may specify, and only with our prior written consent Subject to the terms of use on our web site, we may gather, develop and use in any lawful manner information about any visitor to the web site, including but not limited to your customers, franchisees or prospective franchisees regardless of whether they were referred to you via the web site or were otherwise in contact with you

We retain the right, without payment to you, to sell products under the FAT NI BBQ trademark to grocery shops, supermarkets, and other channels of distrubution at any time, and to customers in any location, via our website

We have not established and do not intend to establish other franchises or company-owned outlets selling similar products or services under a different method of operation, trade name, or trademark

We may purchase or be purchased by, or merge or combine with, competing businesses, wherever located

Your Use of the Service Marks and *FAT NI BBQ* Products and Services

Except with our prior written permission, you will not place under any circumstances advertisements using the Service Marks in or originating from any area other than the Franchise Territory

Except as otherwise provided in the Franchise Agreement or the Operations Manual, you may not directly market to, solicit or service customers whose principal home address or place of business is outside the Franchise Territory You may not advertise in any media whose primary circulation is outside the Franchise Territory, except with our prior written permission and the prior written consent of any of our franchisees whose territory is reached by that media All Internet marketing is part of our marketing programs described in the Operations Manual and defined in the Franchise Agreement, and must be coordinated through us and approved by us You may not market independently on the Internet or acquire an independent Internet domain name or web site You may not solicit or accept orders outside your Franchise Territory under other channels of distribution (such as the Internet, other forms of media now or in the future developed, wholesale and mail order channels) without our prior written approval

Only we may place national or regional advertising

13.
TRADEMARKS

We have applied to register the following marks on the Principal Register of the U S Patent and Trademark Office

Mark	FAT NI BBQ
Serial Number	**87631615**
Application Date	**10/03/2017**

Mark	胖妮烧烤
Serial Number	**87424817**

Application Date **04/25/2017**
Registration No **5451149**
Registration Date **04/24/2018**

We also claim common law rights to the "**FAT NI BBQ**" name, marks, and logos, including the following logo, based on our exclusive use of the name, marks, and logos in interstate commerce

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

We will allow you to use these and all other trade names, trademarks, service marks, and logos we now own or may in the future develop for our franchise system We refer to all these commercial symbols as the "trademarks "

The trademarks are our and our parent's exclusive property You will immediately notify us of any infringement of, or challenge to, your use of the trademarks We and our parent will have sole discretion to take or not to take action, as we deem appropriate We are not required to protect your rights to use the trademarks or to protect you against claims for infringement or unfair competition arising out of your use of the trademarks We and our parent have sole discretion as to whether to defend you against or indemnify you for expenses or damages incurred due to claims of infringement or unfair competition arising out of your use of the trademarks The franchise agreement does not require us to take affirmative action when notified of such uses or claims or to participate in your defense or indemnify you for expenses or damages if you are a party to an administrative or judicial proceeding involving the trademarks, or if the proceeding is resolved unfavorably to you We have the sole right to control any administrative proceedings or litigation involving the trademarks

You must follow our rules when you use the trademarks You may not use the trademarks in any manner we have not authorized in writing

All goodwill associated with the trademarks, including any goodwill that might be deemed to have arisen through your activities, will accrue directly and exclusively to our and our parent's benefit, except as otherwise provided by applicable law

You may not use or give others permission to use the trademarks, or any colorable imitation of them, combined with any other words or phrases

We may change or modify any part of the trademarks at our sole discretion You will accept, use and protect, for the purposes of the franchise, all changes and modifications as if they were a part of the trademarks at the time the franchise agreement is executed You will bear all costs and expenses that may be reasonably necessary because of these changes or modifications Under no circumstances will we be liable to you for any damages, costs, losses, or detriments related to of these changes or modifications

There are no presently effective determinations of the U S Patent and Trademark Office, the trademark administrator of any state or any court, any pending interference, opposition or cancellation proceeding and any pending material litigation involving the trademarks in any state

There are no agreements that concern our rights to use or license the use of the trademarks We know of no infringing uses that could materially affect your use of the trademarks

We are aware of a single other company that uses "FAT NI BBQ" in their name in a location in Texas, but have not been notified of any use that would impair the ability to obtain and protect the trademark

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14.
PATENTS, COPYRIGHT, AND PROPRIETARY INFORMATION

We intend to affix a statutory notice of copyright to our FAT NI BBQ Operating Manual, to most of our advertising products, and to our paper and service products, and to all modifications and additions to them There are no determinations, agreements, infringements or obligations currently affecting these notices or copyrights You have no rights to the copyrighted material You are granted the right and are required to use the copyrighted items only with your operation of the franchise during the term of your franchise agreement

The FAT NI BBQ Operating Manual is described in Item 11 Although we have not filed applications for copyright registration, all copyrighted materials are our property Item 11 describes limits on use of the copyrighted materials by you and your employees We claim proprietary rights in our proprietary estimating software and reporting systems We consider these proprietary systems as our trade secrets You are only permitted to use our proprietary systems in accordance with the Franchise Agreement and only as long as you are a franchisee You must contact us immediately if you learn of any unauthorized use of our proprietary information You must also agree to not contest our rights to and interest in our copyrights and other proprietary information

We have no patents and no pending patent applications material to your franchise Your knowledge of the operation of the franchised business, including the courses and other specifications, standards and operating procedures, is derived from information that we disclose to you This information, including the information contained in the manuals and the information presented during training, is confidential material owned by us Our confidential information includes our product recipes, our methods of operation, our sales and marketing techniques, our planned marketing and advertising programs, the content of our training and assistance, the contents of the Manual, the operating results and financial performance of other FAT NI BBQ shop franchisees, all customer lists and other information we receive from you, and user names and passwords allowing access to protected areas on our website or computer network

We also claim ownership of all demographic data and customer lists generated by your activity as a franchisee You must maintain the absolute confidentiality of this proprietary information during and after the term of the franchise agreement and you cannot disclose, sell or use any such information in any other business or in any manner not specifically authorized or approved in writing by us

You may use such information only in furtherance of the franchised business Each manager of your franchised business and each person who receives training from us or otherwise has access to our confidential information, and each owner of your business if you are a legal entity, must sign a written agreement that contains similar nondisclosure obligations

You must notify us promptly in writing if you learn about any unauthorized use of our copyrights or proprietary information We are not obligated to take any action, but we will respond to this information as we think appropriate

All improvements in the FAT NI BBQ shop system that you develop will become our property We will have the sole right to protect such improvements in our name or in the name of any of our affiliates by means of copyright, patent, trade secret or trademark law

You must promptly disclose all such improvements to us

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

We recommend that you or one of your owners if you are a corporation or partnership, participate fully in the actual day-to-day operation of the franchise business However, you are not required to participate in the day-to-day operations of your franchise by the Franchise Agreement or any other contractual obligation with us You may designate a Manager to assume responsibility for day-to-day operations We do not impose any restrictions on who may serve as a Manager of your franchise, however you should exercise reasonable care in selecting your employees Any Managers you employ to help you to operate the franchise must successfully complete the mandatory training program described in Item 11 Your manager is not required to have an equity interest in your franchise The Manager and all of your owners must agree to be bound by the confidentiality and non-competition provisions of the Franchise Agreement in writing

Each of your owners must assume and agree to discharge all of your obligations under the franchise agreement

<u>Our Step-In Rights</u> As outlined in Section 6 7 of the Franchise Agreement, to prevent any interruption of the franchised business that would cause harm to the franchise and to our franchise system and lessen their value, we may step in to operate the franchise when we deem necessary Reasons may include our determination that you are incapable of operating the franchise,

you are absent or incapacitated because of illness or death, you have failed to pay when due any taxes or assessments against the franchise or property used in connection with the franchise, you have failed to pay when due any liens or encumbrances of every kind placed upon or against your business property, or we decide that operational problems require us to operate the franchise for a time

All Revenue derived from our operation of the franchise will be for your account We may pay from that Revenue all expenses, debts, and liabilities we incur during our operation of the franchise We will keep in a separate account all Revenue generated by the operation of your business, less the expenses of the business, including reasonable compensation and expenses for us and our representatives

Development of your business.

You must devote continuous best efforts to the development, management and operation of your business This means devoting sufficient time and resources to ensure full and complete compliance with your obligations to us, to your customers and to others The business is a challenging one It requires and responds to personal attention It is most important that you personally be involved in all facets of the business You must be able to organize the business so that our standards of service, quality, and cleanliness are maintained, and you must set standards for your employees to follow The business requires a firm, personal commitment and, at least initially, may require many long hours In addition to production skills, you must also understand and be able to perform all of the sales, operations, management and maintenance functions required to ensure successful operation of the business Because this is primarily a cash business, you must have effective, vigilant cash management procedures to avoid employee theft

You can minimize these demands on you personally by attracting, motivating and retaining capable development, supervisory, production, transportation and sales personnel We may provide you with certain suggested basic procedures and guidelines to use in recruiting, training and motivating your personnel However, recruiting, training and motivating employees are your responsibility

Operation of your Restaurant(s)

As a new franchisee of an individual Restaurant, you may expect to perform a substantial amount of manual labor, especially during the first year of operation Depending on the sales volume of the Restaurant, you should expect to work a full shift in the Restaurant every day If sales and profits are high, you may not be required to do this, but you should not enter into the business unless you are willing and able to meet this requirement Your personal 'on premises' supervision is not required Your on-premises manager must be trained in accordance with our training requirements Your on-premises manager should have an ownership interest in your corporation, limited liability company (LLC) or partnership but it is not a requirement Your on-premises manager cannot have an interest or business relationship with any of our competitors You must keep confidential our Restaurant development and operations methods and all other information we deem to be confidential You may share this information with your employees only to the extent necessary for them to conduct their job requirements and provided that they are under an obligation to maintain the information in confidence

Personal Guarantees, Ownership Requirements

If you choose to use a business entity (partnership, corporation or LLC) to operate the business at any Restaurant, you, and your officers, directors, shareholders, members and partners (as applicable) must personally guarantee such entity's performance of all of the franchisee's obligations under the franchise agreement and lease (if applicable) This personal guarantee applies to all money and other obligations, such as non-competition provisions of the franchise agreement

16.
RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

We require that you use, offer, and sell only those products and services that we approve in writing (See Item 9) You must offer all products and services that we designate as required by our franchisees We reserve the right, without limitation, to modify, delete, and add to the authorized products and services

We require you to confine your business to the operation of a Restaurant You may not conduct any other business or activity at the Restaurant without our prior written approval You may only offer or sell products approved by us and you must offer for sale the full menu prescribed by us We may add, delete or change approved products that you are required to offer from time to time There are no limits on our right to do so

In offering products for sale, you may only use products, materials, ingredients, supplies, paper goods, uniforms, fixtures, furnishings, signs, equipment approved by us and you must follow methods of product preparation and delivery that meet our requirements

We impose no customer restrictions on the sale of products at your Restaurant, however, your franchise is limited to one location and all sales must be made from that location You are not permitted to sell or distribute goods or services through the use of the Internet or other electronic communications

17. RENEWAL, TERMINATION, TRANSFER, AND DISPUTE RESOLUTION

THE FRANCHISE RELATIONSHIP

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

Provision	Section in Franchise Agreement	Summary
a Length of the franchise term	Section 1 1	10 years
b Renewal or extension of term	Section 6 1	If you are in good standing, you may renew for periods of **5** years under the terms of our then current franchise agreement forms that may have materially different terms and conditions than your original contract
c Requirements for franchisee to renew or extend	Section 6 1	"Renewal" means that you, upon the expiration of the original term of the franchise agreement, have the right to enter into a new agreement according to our then-current franchise agreement forms that may have materially different terms and conditions than your original contract You must give notice at least three and not more than 6 months before expiration of the initial term, faithfully perform under the initial agreement, refurbish the Franchise and replace obsolete equipment, sign general release, sign a new agreement, pay up to $2,500 renewal fee, and go through retraining
d Termination by franchisee	Section 6 2	You may terminate the Fran-

		chise Agreement if you comply with the terms of the Franchise Agreement and if we substantially breach any material provision of the Agreement and fail to cure or reasonably to begin to cure that breach within **30** days after receipt of written notice specifying the breach Termination will be effective **10** days after you deliver to us written notice of termination for our failure to cure within the allowed period
e Termination by franchisor without cause	Not applicable	We cannot terminate unless you are in default
f Termination by franchisor with cause	Section 6 3	We can terminate only if you default
g "Cause" defined – curable defaults	Section 6 3(A)	You have 30 days to cure any default not listed in Section 6 3
h "Cause" defined – non-curable defaults	Section 6 3(B)	Bankruptcy and insolvency, abandonment, repeated default, misrepresentations, levy of execution, criminal conviction, non-compliance with laws, non-payment of fees, repeated under reporting of sales, disclosure of information, failure to commence operations within 270 days of the date of Franchise Agreement, failure to successfully complete training, receipt of more than three cure notices over twelve consecutive months or two consecutive cure notices
i Franchisee's obligations on termination/non-renewal	Section 6 5 & 6 8	De-identification, return of manuals, release of phone numbers and listings, de-identification of your franchise equipment and premises, payment of sums owed, confidentiality, and non-competition Upon termination or non-renewal, we have the option to purchase the assets of your business at their fair market value
j Assignment of contract by	Section 7 1	There are no restrictions on our

franchisor		right to transfer
k "Transfer" by franchisee - defined	Section 7 1	Restrictions apply if you sell, transfer, assign, encumber, give, lease, or sublease (collectively called "transfer") the whole or any part of the franchise agreement, substantial assets of the franchise, or ownership or control of you
l Franchisor approval of transfer by franchisee	Section 7 1	We have the right to approve all transfers
m Conditions for franchisor approval of transfer	Section 7 1	The transferee must qualify as a franchisee, he must assume your obligations, you may not be in default, the transferee must successfully complete the mandatory training, the current assignment fee is the greater of $5,000 or 7 percent of the proposed purchase price for the Business, plus applicable taxes, the transferee must sign a new franchise agreement on our then current terms, and you must release us
n Franchisor's right of first refusal to acquire franchisee's business	Section 7 3	If you receive an offer, we will have the right to purchase on the same terms and conditions as offered to you, **60**-day notice and right to decide
o Franchisor's option to purchase franchisee's business	Section 7 3	You will give us the right of first purchase before soliciting offers from a third party if you choose to sell your franchise business You agree to notify us in writing if you desire to sell or transfer any interest in you or in your franchised business We will elect to exercise our option to purchase within **60** business days after our receipt of your written notification If we offer you an amount that you do not agree to, you may try to sell to a third party You are obligated before any transfer to a third party to comply with all criteria outlined in the paragraphs related to First Right of Refusal

p Death or disability of franchisee	Section 7 2	Within 180 days, your heirs, beneficiaries, devisees or legal representatives may apply to continue to operate the franchise, or transfer Franchise interest
q Non-competition covenants during the term of the franchise	Sections 5 8 & 5 9	You may not disclose confidential information or compete
r Non-competition covenants after the franchise is terminated or expires	Sections 5 9 & 6 8	After termination of the Franchise Agreement, no competition is allowed for 720 days within the Territory, within a 100-mile radius of the Territory, within a 100-mile radius of any location where we operate or have granted the franchise to operate a FAT NI BBQ business, and within the United States of America
s Modification of the agreement	Sections 5 5 and 9 7	We may modify the Operating Manual Modifications to the language of the Franchise Agreement require the signed written agreement of the parties
t Integration/Merger clause	Sections 5 1, 5 5, & 9 7	Subject to relevant state law, only the terms of the Franchise Agreement and FAT NI BBQ Operating Manual are binding Any other promises may not be enforceable Nothing in the Franchise Agreement or in any related agreement is intended to disclaim the representations we make in the Franchise Disclosure Document
u Dispute resolution by arbitration or mediation	Section 9 8	Except for certain claims, all disputes must be arbitrated in accordance with the provisions of the *Arbitration Act* of the State of Texas in Texas, except as stated in State Addenda to this Disclosure Document The Franchise Agreement prohibits disputes from being arbitrated on a class or consolidated basis

v Choice of forum	Section 9 8	Subject to applicable state law, Litigation must be in McKinney, Texas, except as stated in State Addenda to this disclosure document
w Choice of law	Section 9 8	Subject to applicable state law, Texas law applies except as otherwise provided in the Franchise Agreement and subject to state laws in those states whose laws require exclusive application and except to the extent governed by the United States Trademark Act

See State Law Addendum for additional, state-specific disclosures

18.
PUBLIC FIGURES

No public figures are involved in our franchise program

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 this Item 19 may only be given 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

Financial Performance Representation

We do not make any representations about a franchisee's future financial performance or the past financial performance of company-owned or franchised outlets We also do not authorize our employees or representatives to make any such representations either orally or in writing If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet If you receive any other financial performance information or projections of your future income, you should report it to the franchisor's management by contacting [name, address, and telephone number], the Federal Trade Commission, and the appropriate state regulatory agencies

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20.
OUTLETS AND FRANCHISEE INFORMATION

Table No 1
SYSTEMWIDE OUTLET SUMMARY
As of December 31 for Years 2016, 2017, and 2018

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

Table No 2
TRANSFERS OF OUTLETS FROM FRANCHISEES TO NEW OWNERS
(other than the Franchisor)
As of December 31 for Years 2016, 2017, and 2018

Column 1 State	Column 2 Year	Column 3 Number of Transfers
USA	2016	0
	2017	0
	2018	0
Total	**2016**	0
	2017	0
	2018	0

Table No 3
STATUS OF FRANCHISED OUTLETS
As of December 31st for Years 2016, 2017, and 2018

C	Column 2 Year	Column 3 Outlets at the Start of the Year	Column 4 Outlets Opened	Column 5 Terminations	Column 6 Non-Renewals	Column 7 Reacquired by Franchisor	Column 8 Ceased Operations – Other Reasons	Column 9 Outlets at End of the Year
New York	2016	0	0	0	0	0	0	0
	2017	0	0	0	0	0	0	0
	2018	0	0	0	0	0	0	0
TOTAL	2016	0	0	0	0	0	0	0
	2017	0	0	0	0	0	0	0
	2018	0	0	0	0	0	0	0

Table No 4
STATUS OF COMPANY-OWNED OUTLETS
As of December 31 for Years 2016, 2017, and 2018

Column 1 State	Column 2 Year	Column 3 Outlets at the Start of the Year	Column 4 Outlets Opened	Column 5 Outlets Reacquired from Franchisees	Column 6 Outlets Closed	Column 7 Outlets Sold to Franchisees	Column 8 Outlets at End of Year
Texas	2016	0	0	0	0	0	0
	2017	0	0	0	0	0	0

	2018	0	0	0	0	0	0
Total	**2016**	**0**	**0**	**0**	**0**	**0**	**0**
	2017	**0**	**0**	**0**	**0**	**0**	**0**
	2018	**0**	**0**	**0**	**0**	**0**	**0**

Table No 5
PROJECTED OPENINGS AS OF December 31, 2018 through December 31, 2019

Column 1 State	Column 2 Franchise Agreements Signed But Outlet Not Opened	Column 3 Projected New Franchised Outlets in the Next Fiscal Year	Column 4 Projected New Company-Owned Outlets in the Current Fiscal Year
California	0	0	0
Florida	0	2	0
New Jersey	0	0	0
New York	0	0	0
Texas	0	2	0
TOTALS	**0**	**8**	**0**

* NOTE These are projections of the number of new franchises we expect will open in the next fiscal year It is, however, only a projection The chart shows those states which we consider priority states, however, we do not plan to sell franchises in all of those states in the upcoming year We continue to look for new franchisees throughout the United States and will open locations in any state in which we find qualified purchasers Therefore, the actual number of new franchisees in any state that open in the next fiscal year could vary from the number described above

The following is a complete listing of all of our current franchisees and the addresses and telephone numbers of all of their operations as of **December 31, 2018**

Territory	**Prov/State**	**Name**	**Business Address**	**City**	**Postal Code**	**Phone**

The following is a list of the name, city and state, and the current telephone number or if unknown, the last known home telephone number of every franchisee who had an outlet terminated, canceled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under the franchise agreement during our most recently completed fiscal year or who has not communicated with us or our affiliate within **10** weeks of the date of this Disclosure Document

Territory	**Prov/State**	**Name**	**Business Address**	**City**	**Postal Code**	**Phone**

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

Our standard franchise agreement, all renewal and transfer agreements, and all agreements to settle disputes with franchisees, generally contain confidentiality clauses Thus, all our franchisees have signed a confidentiality clause with us In some instances, current and former franchisees sign provisions restricting their ability to speak openly about their experience with **FAT NI BBQ** You may wish to speak with current and former franchisees, but be aware that not all such franchisees will be able to communicate with you

The following is a list, to the extent known to us, of the names, addresses, telephone numbers, email addresses, and web addresses of each trademark-specific franchise organization associated with the franchise system being offered which we have created, sponsored, or endorsed **NONE**

The following is a list of any independent franchisee organizations that have asked to be included in this disclosure document **NONE**

21. FINANCIAL STATEMENTS

We have not been in business for at least three years and cannot include all the financial statements requirements by this Item Attached as Exhibit A to this Disclosure Document is our pro forma balance sheet prepared in anticipation of launching the franchise system Audited financial statements will be prepared and supplied in future Disclosure Documents Our fiscal year-end is December 31

22. CONTRACTS

Attached are copies of the Franchise Agreement, the State Law Addendum, and all other related agreements you may have to sign when you purchase your franchise The standard form release agreement that you will be required to sign in certain instances, such as for a transfer or renewal, is found in section 9 9 of the Franchise Agreement

23.
RECEIPTS

Attached to this Disclosure Document are two Receipt pages They are duplicates that evidence your receipt of this Disclosure Document – the first is to be retained by you, the other by us (Exhibit E)

Exhibit B

PengQiao LLC

FRANCHISE AGREEMENT

____

[Print name of individual]
[Jointly and Severally, "You"]

and

____

[Print name of proprietorship, partnership, and company]
[Jointly and Severally, "You"]

and

PengQiao LLC
["We" or "Us"]

TABLE OF CONTENTS

FRANCHISE AGREEMENT

THIS AGREEMENT has been entered this ___ day of ________, 20__ It is by and between **PengQiao, LLC** , a Texas limited liability company, ("we", "us", "FAT NI BBQ") and ______________________and ________________and ___________________ (jointly and severally "you")

For purposes of this Agreement "you" may include an individual, corporation, partnership, limited liability company or other legal entity "You" includes any corporation, partnership, limited liability company, individual, combination of individuals, or other legal entity that owns a majority interest of you, or in which you own a majority interest The term "you" will include all persons who succeed to your interest by transfer or by operation of law

We have certain rights to, have registered in various jurisdictions, and intend to continue to develop names, trademarks, service marks, logos, commercial symbols, and styles These include, but are not limited to "**FAT NI BBQ**" (the "Service Marks") We own valuable goodwill and have valuable expertise, confidential information, methods, procedures, techniques, uniform standards, operations manuals, inventory control guidelines, systems, layouts, merchandise, and materials These are connected with the operation, promotion, and advertising of businesses that offer quality oriental-style barbecue and skewer menu selections to the public under the Service Marks (the "FAT NI BBQ System")

You desire us to train you and authorize you to operate a high-caliber franchise to offer and sell the FAT NI BBQ System to the public and to use the FAT NI BBQ System and Service Marks We are willing to grant you such a franchise on the terms and conditions set forth in this Agreement

You acknowledge that this Agreement was accompanied by a Franchise Disclosure Document, which you received at the earlier of

- the first personal meeting with us (in New York and Rhode Island), or
- 14 calendar days before signing any franchise or related agreement or making any payment with the franchisor or an affiliate in connection with the franchise sale (10 business days in Michigan, New York, Oregon, Rhode Island, Washington and Wisconsin)

In addition, you acknowledge either

- receipt of this Agreement containing all substantive terms at the time of delivery of the Franchise Disclosure Document, or
- if we unilaterally or materially altered the terms and conditions of our standard franchise agreement or any related agreements attached to the Franchise Disclosure Document, you acknowledge that you received a complete and final copy of this Agreement and its exhibits not less than 7 calendar days before you signed this Agreement

You have read this Agreement and our Franchise Disclosure Document You understand and accept the terms, conditions and covenants contained in this Agreement They are necessary to maintain our high standards of quality, service and uniformity at all franchises They protect and preserve the goodwill of the Service Marks and the confidentiality and value of the FAT NI BBQ System

You realize that entering into this Agreement will obligate you to operate your franchised business in strict accordance and conformity with the standards, specifications and procedures as set forth in the Operations Manual that we will loan to you You furthermore realize that there is a risk in owning any business venture including this one and that running a business can be very hard work If you operate your FAT NI BBQ Franchise below the standards we require, customers who patronize that FAT NI BBQ franchise location will be less likely to patronize other FAT NI BBQ locations This would damage the business of others It will be difficult for us to obtain new franchisees if a prospective purchaser observes that you do not maintain the required standards

We expressly disclaim the making of, and you acknowledge that you have not received or relied upon, any warranty or guaranty, express or implied, as to the revenues, profits or success of the business venture contemplated by this Franchise Agreement, except those representations specifically disclosed in our Franchise Disclosure Document You acknowledge that you have read this Agreement and our Franchise Disclosure Document and that you have no knowledge of any representations by us, or our officers, directors, shareholders, employees or agents that are contrary to the statements made in our Franchise Disclosure Document or to the terms of this Agreement We do not furnish nor do we authorize our salespersons to furnish any oral or written information concerning the actual or potential sales, costs, income or profits of any FAT NI BBQ operation that is inconsistent with disclosures in our Franchise Disclosure Document Actual results vary from unit to unit and we cannot estimate the results of any particular franchise

THEREFORE, in consideration of the mutual promises and covenants contained in this Agreement the parties agree as follows

1 **<u>GRANT OF FRANCHISE AND FRANCHISE TERRITORY</u>**

1 1 **<u>Grant of Franchise and Franchise Territory</u>** We grant to you, and you accept from us, the franchise, license, and privilege to use the Service Marks, the FAT NI BBQ System, and merchandise bearing the Service Marks, for **10** years from the date of this Agreement (the "Franchise") This grant solely is for the operation by you of one FAT NI BBQ franchise in the geographical territory and at the location identified in the attached Exhibit A ("the Franchise Territory")

You may deliver take-out orders and provide catering service to customers in your area as long as the product is fresh at the time of delivery Such sales will be included in gross sales for all purposes, including your reports, royalties and advertising fund calculations Except for take-out orders and catering service, you may not sell FAT NI BBQ products or services in any manner other than from the shop premises You may not market or sell outside of your territory in any manner or do any Internet advertising without our prior written approval, which we may withhold in our discretion You may promote the business through social media and similar means as long as such promotion is consistent with guidelines we issue from time to time

During the term of this Agreement, we agree not to establish, or license anyone else to establish, any other franchise using the Service Marks or the FAT NI BBQ System within the Franchise Territory, without your prior written consent

We retain the right, without payment to you, to sell products under the FAT NI BBQ trademark to grocery shops, supermarkets and other channels of distribution at any time, and to customers anywhere through our website

If either the Franchise Territory or the location for your franchised operations has not been determined when this Agreement is executed, you are responsible for selecting the site for your franchise within the area designated in Exhibit A The Franchise Territory and your franchise site must be in the United States of America, legally available pursuant to state, provincial, and federal franchise and business opportunity disclosure and registration laws and pursuant to our contractual commitments (including those with our other franchisees) and in compliance with our franchise placement, market development and demographic criteria

1 2 **<u>Location for Franchise</u>** You will operate the Franchise only within the Franchise Territory You may have one or more locations in the Franchise Territory from which the following are performed (collectively the "Franchise Premises")

A The storage of any equipment and inventory used in association with your Franchise

B Customers may be served for dine-in or carry-out food service of FAT NI BBQ products

C Maintenance of telephone, fax, email or postal address for the Franchise

D Advertisement of the address, telephone, fax, email or any other contact information for your location

E Generation of revenues for the Franchise

If not determined when this Agreement is executed, you are responsible for selecting the site for the Franchise Premises within the area designated in Exhibit A and in accordance with this Agreement

1 3 **Franchise Development** You are responsible to furnish and equip the Franchise

A We will furnish to you a schedule of equipment packages, supplies, vendors, and related items for the Franchise Any modifications you propose must be approved in writing by us All approvals will be solely within our discretion to maintain a uniform image consistent with FAT NI BBQ franchise system concepts

B You will comply with the standards and specifications we establish for vehicles and equipment, among other things

C You will comply within a time we deem reasonable with any requirement we impose to modify the vehicles and equipment

D We provide you with a design package, including a sample layout for the interior of a typical FAT NI BBQ shop with a set of typical preliminary plans and equipment and decor specifications We then review, comment on and approve your final plans and specifications when they are satisfactory to us, and we consult with you on the construction and equipping of the franchised shop You are responsible for construction and conforming the premises to local ordinances and building codes, and for obtaining required permits We make a final inspection of the franchised shop after you complete its construction We may require any corrections and modifications we deem necessary to bring the franchised shop into compliance with accepted plans, equipment, designs and specifications

E We require you to confine your business to the operation of a Restaurant You may not conduct any other business or activity at the Restaurant without our prior written approval You may only offer or sell products approved by us and you must offer for sale the full menu prescribed by us We may add, delete or change approved products that you are required to offer from time to time There are no limits on our right to do so In offering products for sale, you may only use products, materials, ingredients, supplies, paper goods, uniforms, fixtures, furnishings, signs, equipment approved by us and you must follow methods of product preparation and delivery that meet our requirements We impose no customer restrictions on the sale of products at your Restaurant, however your franchise is limited to one location and all sales must be made from that location You are not permitted to sell or distribute goods or services through the use of the Internet or other electronic communications

1 4 **Relocation of the Franchise** You will not relocate the Franchise without our prior written approval Any relocation will be at your sole expense This Agreement will govern your operations at any replacement Franchise location You may decide to relocate the Franchise for the following reasons

- in your and our judgment there is a change in character of the location of the Franchise sufficiently detrimental to your business potential to warrant its relocation, or
- you reasonably decide to relocate the Franchise for cause

If so, you may relocate the Franchise to another available location, if

A you are not in breach of this Agreement,

B you evidence to our satisfaction your ability to obtain and commence operations at the new location within a time we deem reasonable after you vacate the original location,

C you develop and equip, at your sole expense, the new location according to our then current specifications and standards,

D you pay all reasonable out-of-pocket expenses we incur because of the relocation The terms "Franchise Territory" and "Franchise Premises" will include the relocated business site, and

E you satisfy our then current franchise placement and demographics criteria, as expressed in the Operations Manual

1 5 **You Will Not Advertise Outside Territory** Except with our prior written permission, you will not place under any circumstances advertisements using the Service Marks in or originating from any area other than the Franchise Territory

1 6 **Existence of Divergent Forms of Franchise Contracts** You acknowledge that we have offered franchises to others in the past the terms of which may have varied materially from those set forth in this Agreement

1 7 **Rights We Reserve** We retain all rights not specifically granted to you under this Agreement Except as otherwise provided in this Agreement, we retain the right, in our sole discretion and without granting any right to you

A to use or license the use of the Service Marks or any other trademarks, service marks, logos or commercial symbols in connection with the sale of any services or products other than those directly contemplated being used, offered, or sold by you under this Agreement We expressly reserve the right to sell, or earn rebates and fees from the sale by others licensed or authorized by us to sell, proprietary products on a wholesale basis for use in preparing products that will not carry a FAT NI BBQ brand

B to operate and grant to others the right to operate FAT NI BBQ businesses outside the Franchise Territory on such terms and conditions as we deem appropriate

C to sell products or services anywhere, including within the Franchise Territory through channels of distribution other than the FAT NI BBQ business currently reserved to you in the Franchise Territory, including Internet, other forms of media now or in the future developed, wholesale and mail order channels The Internet is a channel of distribution reserved exclusively to us, and you may not independently market on the Internet or conduct e-commerce except as otherwise allowed by us in the Operations Manual

D to establish, operate, own or franchise any business, including competitive businesses, outside of the Franchise Territory

1 8 **Nonexclusive** We reserve the right to market, solicit sales, and sell, lease, rent or otherwise dispose of franchise products to any person or customer we want These include national accounts, commercial customers, franchisees, end users or any other customer we may select We may exercise our right directly or indirectly by or through independent contractors that may include franchisees and dealers

1 9 **Maximum Pricing** We will be permitted, to the extent permitted by relevant law, to establish price ceilings or minimum or maximum allowable prices on the products and services you offer and sell Except as so specified by us or as otherwise required in this Agreement and in the Operations Manual, you may determine the prices at which you sell products and services, as well as the terms and conditions of sale

2 PAYMENT OF FEES AND OTHER FINANCIAL REQUIREMENTS

2 1 **Initial Franchise Fee and Initial Purchases** The Initial Franchise Fee is **$25,000** Contemporaneously with the execution of this Agreement, you have paid to us the Initial Franchise Fee

The Initial Franchise Fee is paid in consideration of our sales expenses, administrative overhead, return on investment, and start-up costs related to the execution of this Agreement and the opening of the Franchise and for our lost or deferred opportunity to sell franchises in the Franchise Territory to others

Except as provided in Sections 3 1 and 4 1 below, none of the Initial Franchise Fee is refundable

2 2 **License Fee.**

Beginning on the 5th day of the month following the month in which you commence business operations through the Franchise and prorated from the date the Franchise opens for business, you will pay to us a license fee or royalty of 4% of your gross sales

The Licensing Fee and monthly minimum are due and payable in the manner specified from time to time in the Operations Manual described in Section 5, below

We may require these Licensing Fee payments to be made by automatic account withdrawal or other automatic processes we reasonably specify in the Operations Manual, such as automatic pre-authorized payment plan, electronic funds transfer or the Internet

2 3 **National Advertising Fee** You will pay to us a National Advertising Fee equal to **2 0%** of the total Gross Revenue derived from the Franchise This fee is payable on the 5th of each month, for all Gross Revenue in the preceding month We reserve the right to temporarily lower or suspend this monthly fee at any time, upon prior written notice to you and to our other franchisees We also may make a portion of this refundable upon satisfactory compliance with conditions that will be disclosed in our Operations Manual or other communications to you and to our other franchisees

This payment may be required to be made by automatic account withdrawal or other automatic processes we reasonably specify in the Operations Manual, such as automatic pre-authorized payment plan, electronic funds transfer or the Internet

We may use all National Advertising Fees we receive from you in local, regional, national, Internet, or international advertising for

- maintaining, administering, researching, directing and preparing advertising and promotional activities (including, among other things, the costs of preparing and conducting television, radio, magazine and newspaper advertising campaigns, public relations programs and press releases),
- direct mail and outdoor billboard advertising,
- marketing research and development,
- marketing surveys and public relations activities,

- development and maintenance of any Internet or e-commerce programs,
- marketing materials,
- decor and promotional materials,
- artwork, advertising services,
- training and conventions related to marketing, customer service and sales augmentation,
- production and distribution of periodic newsletters to provide you with industry news, suggestions, and advice on franchise operations, and
- our reasonable salaries, accounting, collection, legal and other costs related to all of the above

Our internal artwork, advertising, promotion and newsletter production costs and associated administrative costs are paid from the National Advertising Fees These will be calculated at our cost as established from time to time

We will place your National Advertising Fees together with contributions from our other franchisees in a common fund (the "Fund") to place advertising in geographic areas, in media, at times and using products and services we deem to be in the best interest of our franchisees and the FAT NI BBQ franchise system

You recognize the value of advertising and the importance of the standardization of advertising and promotion to the furtherance of the goodwill and the public image of the FAT NI BBQ System

The Fund will be administered by us We will direct all regional and national advertising programs We will have sole discretion over the creative concepts, materials, endorsements, placement, and allocation of moneys from the Fund The Fund will be used to maintain, administer, direct, prepare, and review national, regional, or local advertising materials and programs as we will in our sole discretion deem proper It also will be used to cover our costs of collecting and administrating the advertising fees we collect from our franchisees, including incurred legal fees The Fund will be used to pay for joint marketing programs, including programs with our suppliers, sister corporations and co-branding partners We are under no obligation to administer the Fund to ensure that expenditures are proportionate to contributions of franchisees for any given market area or that any franchise benefits directly or proportionately from the development or placement of advertising We will not be obligated to expend all or any part of the Fund during any specific period of time Upon your written request, we will provide to you the most recent annual accounting of the Fund

The Fund may be used for marketing, advertising, public relations, production and media expenses related to promotion of the Service Marks, our franchise system and our products and services The Fund may also be used for operational, administrative, office, rent, automobile, and collection expenses We will not use any part of the Fund for franchise sales, but may include references to the availability of franchises in materials produced and placed in media by the Fund

We may create an advertising advisory board made up of FAT NI BBQ franchisees These franchisees will make recommendations on your behalf as to types of advertising, promotion and public relations We will use these and other recommendations which we feel are appropriate when drafting a budget and program each year for the Fund

We anticipate that all contributions and earnings of the Fund will be expended for the advertising and promotional purposes during the taxable year within which the contributions and earnings are received If, however, excess amounts remain in the Fund at the end of such taxable year, all expenditures in the following taxable year(s) will come first from earnings and contributions from the prior year and next out of earnings in the current year

A We Will Administratively Segregate Advertising Contributions The Fund will be administered as follows

1 We will administratively segregate all Fund contributions paid to us by our franchisees All payments will be deposited in our general operating account, will be commingled with our general operating funds, and will be deemed to be our asset, subject however to our obligation to expend it in accordance with the terms of this Agreement

2 Upon request, we will furnish to you annual financial statements of the Fund Our books and records relating to the Fund will be available for your inspection during our normal business hours, upon reasonable notice and reasonably relevant requests

3 Although we intend the Fund to be of perpetual duration, we maintain the right to terminate the Fund The Fund will not be terminated, however, until all monies in the Fund have been expended

4 An accounting of Fund contribution and expenditures will be prepared annually and will be made available to you upon request Such accounting may include an audit of the contributions to and expenditures of the Fund prepared by an independent certified public accountant selected by us, at the Fund's expense

B You are Not a Third Party Beneficiary of the Fund We will have the sole right to enforce the obligations of you and all our other franchisees who contribute to the Fund Neither you nor any other of our franchisees who are obligated to contribute to the Fund will be deemed a third party beneficiary with respect to the Fund or have any right to enforce any obligation to contribute to the Fund

C We May Return Funds to You or Use Funds for Regional Co-op Programs We will have the right to expend all, or any portion of, the Fund for the following purposes

1 for regional or local co-op advertising or promotional programs provided, however, that such programs will be available to all similarly situated franchisees, and,

2 if in our sole judgment, you or any other franchisee is located in a geographic territory not adequately serviced by our national or regional advertising programs, we may rebate all or a portion of the Fund Payment paid by that franchisee for use by that franchisee for local advertising Expenditures by that franchisee will be in addition to the local advertising requirements set forth in this Agreement

D Establishment of Advertising Programs At any time and from time to time, we will have the right to create or modify advertising regions for the purpose of establishing regional advertising, marketing and promotional programs We will promptly notify you and our other franchisees, of the establishment, modification and geographical boundaries of regional advertising regions We may require all franchisees located within each geographic region to meet periodically for the purpose of creating and establishing regional advertising programs Each franchise unit, and each unit we own and operate, will be entitled to one vote at these meetings For the purpose of this subsection, each unit we own will be deemed to be a franchise

If at any meeting of the franchisees in an advertising region, **67%** of the franchisees vote to contribute to a regional advertising program, all franchisees within that region will be obligated to make a contribution to a regional marketing fund in the amount established by the vote (the "Regional Marketing Fund") No advertising region may require any franchisee in that region to make a contribution to a Regional Marketing Fund in excess of 2% of that franchisee's Gross Revenues

We will administer each Regional Marketing Fund in the same manner and upon the same terms and conditions as the Fund established above Alternatively, each Regional Marketing Fund will be administered pursuant to standards and procedures outlined in the Operations Manual by representatives elected by each region, at a meeting we call for this purpose We will administer each Regional Marketing Fund in the same manner and upon the same terms and conditions as the Fund established above, or we may decide to have each Regional Marketing Fund administered by representatives elected by each region, at a meeting we call for this purpose

You agree to participate in and contribute your share to the cooperative advertising and promotional programs in your advertising coverage area The cost of the program will be allocated among franchisees in the advertising coverage area and each franchisee's share will be in proportion to its sales during the preceding 12 month period, or portion of this period, but we will not require that the aggregate of your contributions for local and cooperative advertising during any month exceed four percent of your gross receipts during that month We will have the right to approve or disapprove the content of all advertising Your contributions to cooperative advertising promotional programs may be taken as a credit toward the monthly local advertising and promotional expenditure required in this Agreement "Advertising coverage area" will be defined as the area covered by the particular advertising medium (television, radio, or other medium) as recognized in the industry In the event of a disagreement, our determination of the coverage area will be final

E <u>Sales Leads/Regional, National and International Accounts</u> We will alert you to any national accounts we acquire which may have locations in the Territory We will also refer to you any leads who call our national toll free number that are located in the Territory We will e-mail or telephone this information to you

We will maintain your name on certain bidder's lists for large corporations and government agencies in order to provide you with the opportunity to expand your business in the Territory

To the extent that we enter into an agreement to provide materials or services to any national or international account which has a location within your Territory, we may offer you the right to service that account at that location at the terms upon which we and the national or international account have agreed If, for any reason, you elect not to service a national or international account that is offered to you, we may, in our sole discretion, service such account or appoint any other party to service that account

This may include past, current and prospective customers with which we or one or more FAT NI BBQ franchisees have developed a relationship or standing as a preferred supplier These may include, without limitation, customers with national, regional or multiple locations which may be located in the franchise territory of one or more FAT NI BBQ franchisees We and our franchisees have spent time, money and effort developing contacts, expertise and relationships with these FAT NI BBQ customers that can cause certain business to be favorably secured by us and our franchisees for the mutual benefit of us and all of our franchisees Such customers will be allocated and handled pursuant to processes and procedures outlined in the Operations Manual described in Section 5, below

F <u>Obligation to Deliver Price Lists</u> You will deliver to us current price lists of all goods and services you sell in, at or through the Franchise We will have the right to rely upon the accuracy of the price lists, and may use the information to advertise, market and promote the Franchise, and the goods and services you sell At any time, you may amend, modify or change the price list by notifying us in writing Price changes will not be effective for a period of 30 days after the notification, to enable us to modify advertising or promotional materials we use to advertise your goods or services You will adhere to the price lists while they are effective We may establish the prices at which you sell goods and services

G We May Advertise "Suggested Prices" In national or regional advertising programs, we may include "suggested prices" for the goods or services sold by you and our other franchisees we will include within all our advertising the phrase "available at participating locations only" or other cautionary language to advise the consumer that the suggested prices may not be adhered to by all our franchisees We may compel you to charge "suggested prices" to the extent permitted by state and federal laws and regulations

H Discount Programs From time to time we may develop and market special discount or free coupon programs Some discount programs will be designated as mandatory, and your participation is required Others will be designated optional

For optional discount programs which we create, you will have the right, but not the obligation, to participate in these programs We will notify you of the creation and provisions of a discount or coupon program Within **5** days after receipt of the notice, you will advise us whether or not you wish to participate in that program If you notify us that you wish to participate, you will adhere to all provisions of the program If you elect to be excluded from a program, we will have the right to advise consumers, by advertising, sales solicitation or otherwise, that you are not a participant You will not be entitled to the benefits of that program We will establish the discount or coupon programs in our sole discretion, and will not have any obligation to consult or confer with you or any other of our franchisees with respect to the nature, content or amount of any discount or coupon established pursuant to any program

We may develop and market special promotional items which will be made available to you at our cost plus a reasonable mark up You will maintain a representative inventory of such promotional items to meet public demand You will have the right to purchase alternative promotional items provided that alternative goods conform to our specifications and quality standards You must fully and accurately participate in, honor, accept and redeem all promotional and marketing materials that we authorize

When required by relevant law, you will have the right, but not the obligation, to participate in these programs We will notify you of the creation and provisions of each program Within **5** days after receipt of the notice, you will advise us whether or not you wish to participate in that program If you notify us that you wish to participate, you will adhere to all provisions of the program If you elect to be excluded from a program, we will have the right to advise consumers, by advertising, sales solicitation or otherwise, that you are not a participant You will not be entitled to the benefits of that program We may establish the programs in our sole discretion, and will have no obligation to consult or confer with you or any other of our franchisees with respect to the nature, content or price of any promotional item established pursuant to any program

There may be times when you create or desire to implement a discount program of your own designation For such programs, you may submit a proposal to us, and you will be deemed to have our permission to implement your program unless we submit to you a notice of disallowance within 5 business days of your submission to us Such programs that you create will be at your own cost, and the intellectual property associated with such programs remains ours, for possible future use in any or all franchise territories

I Your Obligation to Advertise Locally In addition to your obligation to pay National Advertising Fees, each month you may be required expend in your local market at least **7%** of your Gross Revenue to advertise and promote the Franchise (the "Local Advertising Requirement") You will report the nature, extent and amount of these local expenditures, in the form and at the times we require in the Operations Manual The Operations Manual will indicate what percentage, if any, is required to be spent on local advertising

You may develop local advertising materials for your own use, at your own cost, following advertising criteria that we establish We must approve the advertising materials in advance We will endeavor to approve or disapprove the advertising materials within 15 days after we receive it from you

J Telephone, Cellular Phone and Yellow Pages You will not publish, promote or advertise any cell phone or landline telephone number except for the landline telephone number that we own in the areas where you conduct your Franchise We may furnish you with one or more telephone numbers that will be used in your franchised business or forwarded to a call center, the use of which can be required under the Operating Manual During and after customary business hours, you shall use only the type of telephone answering service or other means of telephone answering approved by Franchisor (us) To facilitate your compliance with this condition, Franchisor may provide negotiated preferred relationships with telephone answering service providers or sales and support providers, and Franchisor may also, in its discretion, provide use of a toll-free telephone number for the FAT NI BBQ franchise system You will not use any other telephone number(s) in relation to Franchise You will advertise your franchise, in the Yellow Pages telephone directories that service your franchise area This advertisement will be in the form and have the content specified from time to time in the Operations Manual When more than one FAT NI BBQ facility serves a metropolitan area, classified advertisements will list all FAT NI BBQ units operating within the distribution area of the classified directory, and you will contribute your equal share in the cost of the advertisement The expenditures for this advertising generally will be in addition to the minimum monthly local advertising requirements of this Agreement From time to time, in our sole discretion, the Fund may be used for some or all of such advertising

You will buy your own cellular phones for use in the Franchise All costs associated with using and maintaining your cellular phones will be your sole responsibility Your cellular phone numbers may be printed on your FAT NI BBQ business cards only You will not print or use your cellular numbers on any type of publication, advertisement, signs, invoices, quotes, or any other printed matter except for your business cards Upon termination or expiration of this Agreement, we reserve the right to acquire your cellular phones or their associated telephone numbers, and you agree to sell the phones and transfer the associated telephone numbers to us (the phones shall be valued at the phones' current market value less 20%) if we elect to acquire them You will pay any costs or penalties due to cancellation of your cellular phones

K You Are to Use Local Advertising Materials We Supply Upon its creation and issuance by us, or its update and reissuance, we will supply to you an Advertising Manual which will contain samples of local advertisements we approve You will use only the advertising materials contained in the Advertising Manual, and may not, without our prior written consent, place any advertisement, in any media, which materially varies from the form and content of the approved advertisements in the Advertising Manual

L Approval of Your Local Advertising and Website and E-Commerce You will submit to us all advertising copy and other advertising and promotional materials, public relations programs and press releases, radio and television advertising, specialty and novelty items and signs before you use them in your local advertising program You will not use any advertising copy, public relations program, press release or other promotional material until we approve it Your failure to conform to our provisions or requirements and subsequent non-action by us to require you to cure or remedy your failures and defaults will not be deemed a waiver of future or additional failures and defaults by you under this provision or any other provision of this Agreement

You specifically acknowledge and agree that any web site will be deemed "advertising" under this Agreement and will be subject to (among other things) our approval (As used in this Agreement, the term "web site" means an interactive electronic document, contained in a network of computers linked by communications software that you operate or authorize others to operate and that refers to the franchised business, proprietary marks, us or the FAT NI BBQ System The term web site includes, but is not limited to, Internet and World Wide Web home pages) In connection to any web site, you agree to the following

1 We will allow you to establish a web presence as part of our web site

2 You will not establish or use the web page without our prior written approval

3 Before establishing the web page, you will submit to us a sample of the web site format and information in the form and manner we may reasonably require

4 In addition to any other applicable requirements, you will comply with our standards and specifications for web sites as prescribed by us from time to time in the Operations Manual or otherwise in writing or on a franchisee forum intranet system

5 If you propose any material revision to the web page or any of the information contained in the web site, you will submit the revision to us for our prior written approval

6 You will use only approved key words, meta tags and titles pertaining to our industry We will e-mail or respond via facsimile approved key words, meta tags and titles upon your request by e-mail or facsimile

7 You may only offer approved products or services on your web page Any web site changes made without our approval will put you in default of this Franchise Agreement

8 We retain the sole right to market on the Internet, including all use of web sites, domain names, URL's, linking, meta-tags, advertising, auction sites, e-commerce, and co-branding arrangements You will provide us content for our Internet marketing, and follow our Intranet and Internet usage requirements We also retain the sole right to use the Service Marks on the Internet, including on web sites, as domain names, directory addresses, meta-tags, and in connection with linking, advertising, co-branding, and other arrangements We retain the right to approve any linking or other use of our web site You may not establish a presence on or market using the Internet except as we may specify, and only with our prior written consent

9 If you want to independently advertise or promote in any media (including the Internet), you must obtain our prior written approval, except when using materials and media previously approved by us

10 *Subject to the terms of use on our web site, we may gather, develop and use in any* lawful manner information about any visitor to the web site, including but not limited to your customers, franchisees or prospective franchisees regardless of whether they were referred to you via the web site or were otherwise in contact with you

11 We have established or may establish in the future an intranet or comparable on-line facility You must use it in the manner we require You understand and agree that we may elect to provide certain assistance, deliver information and materials or otherwise communicate with you via the Internet or the intranet At your sole expense, you will maintain and update as needed all computer system requirements and services necessary to access the Internet and the intranet in the manner we require You are required to have DSL or other high speed Internet service to your business where you will be able to access downloads from us of advertising materials, operations manual revisions, training materials and corporate news

2 4 **Reserved**

2 5 **<u>"Revenue" Defined</u>** "Revenue" means all receipts generated by the Franchise from any source, including, but not limited to, sales, rentals, vending, exchanges, repairs, services, labor, service charges, service contracts, any other type of remuneration, gift, contra-deal, barter of products or services, charity, payment in kind, or any other benefit or value that is received or deferred to be received, and excludes discounts, refunds and sales taxes Credit transactions will be included in Revenue as of the date of the transaction without deduction for uncollected credit accounts The proceeds from any business interruption insurance or eminent domain recovery you receive will be included in "Revenue " "Gross Revenue" means the total Revenue for any calendar period as relevant

2 6 **You Will Pay Taxes and Indebtedness** You will pay all taxes, assessments, liens, encumbrances, accounts, and other debts, regardless of their nature, assessed against you, the Franchise, or inventory, materials, and equipment used in the Franchise Payment will be made when due and before delinquent except when being contested in good faith by appropriate proceedings If we are charged with any tax by the authorized taxing authority of any state or political subdivision, including taxes on sales made to or licenses granted to you, or sales made by you through the Franchise you will pay these taxes You will pay to us promptly and when due the amount of all sales taxes, personal property taxes and similar taxes imposed upon, required to be collected, or on account of collection by us of the Initial Franchise Fee, the Licensing Fee, or any other payments you make to us pursuant to this Agreement

You acknowledge that one of the benefits accruing to you and all of our other franchisees is the economy of mass purchasing power made available through us Your failure to pay or repeated delay in making prompt payment in accordance with the terms of the invoice or statements rendered to you for payments due, or misdirection of supplies or other abuses will result in a loss of credit standing and goodwill and a loss of benefits derived to us and other franchisees using the FAT NI BBQ System You expressly agree to promptly make all product purchase payments on invoices and statements rendered to you in accordance with the terms of the invoices and statements and to make timely remittances of rent as required on your lease

2 7 **Licensing Fees, National Advertising Fees, Local Advertising Expenditures, and Other Sums to Be Paid Promptly** You will not set off any claim for damages or money due to you from us against any payments to be paid by you to us under this Agreement or any related agreement between the parties No endorsement or statement on any check or payment of any sum less than the full sum due from you to us will be construed as an acknowledgment of payment in full or as an accord and satisfaction We will have the right to accept any check or payment without prejudice to our rights to recover the balance due or to pursue any other remedy available to us

Upon your failure to pay us as and when due, we may, at our election, deduct the unpaid sums from any monies or credit we hold for your account You agree that you will not withhold payment of any amounts due to us on the grounds of any alleged non-performance by us, or in the event of any dispute or a claim by you, or for any other reason whatsoever

A late charge will be added to any sums to be paid under this Agreement that remain unpaid after the date due The late charge will equal **1 5%** per month In addition, late payments and late reports will be subject to a late payment penalty of $10 per day These late charges and late payment penalties will not exceed any limits placed upon late charges and late payment penalties by applicable local laws

Our acceptance of late charges will not constitute a waiver of the breach created by your non-payment of any amount when due Notwithstanding the payment of any late charges, we may exercise any rights or remedies granted by this Agreement upon your breach or any rights or remedies otherwise granted by law

Nothing contained in this Agreement obligates us to accept any payments after due or to commit to extend credit to or otherwise finance your operation of the Franchise You acknowledge that failure to pay all amounts when due will constitute grounds for termination of this Agreement

2 8 **Records** You will keep a complete and accurate set of books and records of the operation of the Franchise, produce monthly financial statements in accordance with generally accepted accounting principles and practices for each calendar month and furnish copies of these statements to us within **30** days after the end of each quarter

You will furnish to us as outlined in the Operations Manual, an itemized report of the Gross Revenue and of your profit and loss for the prior month This report must be certified by you to be true and correct The report will be in the form and will include such supporting documentation as we may reasonably demand from time to time All Licensing and National Advertising Fees due based upon the Gross Revenue for the preceding month will accompany the report

You will keep records of all business done and Revenue received through the Franchise These records will include, but are not limited to, order sheets, cash register tapes, sales and rental agreement forms, daily sales summaries, tax returns, financial statements, and invoices You will date, file in consecutive order, retain for a period of **5** years, and make available to us for inspection and audit all of your records

Our right to inspect will include the right to examine your books tax returns and records of other businesses owned, in whole or in part, or operated by you to determine whether all revenue to be reported by you has been properly reported and that appropriate fees and contributions have been paid We may establish a uniform list of accounts and a uniform bookkeeping system for all of our franchisees You agree to maintain your books and records in the manner we require

You will submit to us a list of all shareholders, members, partners or other owners of the franchise business and the respective interests held by each as of the end of each fiscal year Provided, however, if your shares are publicly traded, the list of shareholders required will include only those owning **5%** or more of the shares outstanding The required report will be submitted to us within **90** days after the end of your fiscal year

2 9 **Audits** We may audit your reports, books, statements, business records, cash control devices, and tax returns at any time during normal business hours Audits will be conducted at our expense unless you understate the Gross Revenue for any reported period or periods by more than **2%** or unless you fail to deliver any required report of Gross Revenue or any required financial statement in a timely manner In the event of an understatement or failure to deliver, you will reimburse us for all audit costs These will include, among other things, the charges of any independent accountant and the travel expenses, room, board, and compensation of our employees incurred in connection with the audit You will immediately pay all Licensing Fees, National Advertising Fees, Local Advertising expenditures and late payment charges that the audit determines are owed These payments will not prejudice any other remedies we may have under this Agreement or by law Our right to audit will include the right to examine the books, tax returns and records of other businesses that you own or operate, in whole or in part, to determine whether all revenue to be reported by you has been properly reported and that appropriate fees and contributions have been paid

2 10 **You are to Pay all Franchise Costs** All the costs of the Franchise, including opening and operating costs, will be your sole obligation We will have no costs, liability or expense whatsoever with respect to your opening and operation of the Franchise You will not use or employ the Service Marks in performing any activity or incurring any obligation or indebtedness in a manner that could result in making us liable for them You are responsible for any employee wages and compensation, payroll taxes and other required withholding, worker's compensation and benefits You will control your own employees and contractors You will take all steps necessary to maintain a safe and healthy environment for your workers and customers

2 11 **Attendance at Conventions** We may hold conventions for the franchisees that make up our franchise system These conventions may be held at a different location each time They include programs on sales and marketing techniques, performance specifications, advertising programs, training suggestions, and committee elections, among other things **Your attendance at each convention that is held is required** You will bear all expenses of attending, including travel, lodging, meals and entertainment For any annual convention that you do not attend, we will deliver to you and you will pay us for all training materials, documentation, handouts, training videos, and video recordings of the activities of the convention The price for the training materials, documentation, handouts, training videos, and video cassettes for each annual convention will be established by us from time to time

2 12 **Application of Payments** We have the right, in our sole discretion, to apply any payment from you to any past due indebtedness you owe to us or our affiliates, whether from monthly fee payments, purchases, late payment charges, or for any other reason This section will apply regardless of how you may designate a particular payment is to be applied

For the purposes of this Agreement, and all other instruments and agreements relating to it, we will have the right to treat any payment received from you as payment on account We may apply any monies received from you in the following priority

a) to the payment of any sales or use taxes required to be paid in connection with any dealings between you and us pursuant to this Agreement,

b) to the payment of interest on overdue amounts,

c) to the payment of accrued late charges,

d) to the payment of overdue or outstanding amounts,

e) to the payment of current Licensing Fees,

f) to the payment of current National Advertising Fees,

g) to the payment of the purchase price for all or any items you purchase from us or FAT NI BBQ Suppliers, and

h) to the payment of rent and any other amounts payable by you to us,

in any order that we, in our discretion, decide and notwithstanding any contrary designations by you as to the application of your payments

3 **TRAINING**

3 1 **Mandatory Training** We will provide a 2-4 week mandatory training course for you or your franchise manager at a location we will designate This training course will cover all aspects of the operation of the Franchise, including food preparation training, industry and products training, customer service and daily operations management and training, point-of-sale system maintenance and usage training, equipment training, and financial management and human resources instruction You or the manager will complete the course no later than **2** weeks before opening the Franchise for business and within six months of the date of this Agreement

You must ask us to schedule a training session for you or the manager at least **35** days before the session is to start You or the manager must complete this mandatory training program to our exclusive satisfaction or we may terminate this Agreement upon refunding all of the Initial Franchise Fee You are encouraged to begin training before incurring any costs or expenses related to the planned opening of the Franchise We will not be liable for any costs or expenses you incur if we terminate this Agreement because you or your manager fails to satisfactorily complete the mandatory training course

You will pay the transportation, board, and lodging expenses you or the manager incur related to this training, including transportation, meals, accommodations and entertainment The training course will be not less than five days at our training center Training and training materials may be delivered in the formats or media we choose This may include course books or training exercises on paper, video, CD-ROM or other electronic format, via web cast or an intranet You will participate in and pay for the training, including costs of computer equipment and internet services needed to participate

If the Franchise is managed by any persons other than you, you will notify us of these managers Each manager you hire must successfully complete the mandatory training program within **one** month after being hired You will bear all costs of the training, including a reasonable training fee at our then current rates Each of your employees will complete a training program as prescribed in the Operations Manual All training programs for your employees will be conducted under the direction of you or your designated manager who has successfully completed the mandatory training course

Individuals

If you will be operating your franchised business as an individual, we strongly recommend that you devote your full time and best efforts to the day to day operation of your franchised business with no operational or management commitments in other businesses except other franchises offered by us You may however, continue to operate such other businesses, (if any), in which you are engaged as of the date of this Agreement that are family owned If you continue to operate other businesses, you must employ separate personnel for the businesses, market services under one or more trading designations separate from the Service Marks, maintain separate offices and customer reception space and have the personnel related to such other businesses wear apparel that does not feature any of the Service Marks

Partnerships

If you will be operating your franchised business as a partnership, one or more partners must participate in the actual day to day operation of your franchised business or you must have in your employ a manager who runs your day to day operations The partner or partners who are in charge of running your franchised business or your manager must have successfully completed our training course

Corporations, Limited Liability Companies

If you will be operating your franchised business as a corporation, limited liability company, or other legal entity, you must have in your employ a general manager This general manager can be you, any member of your board, an officer of your corporation or member of your limited liability company The general manager who is in charge of running your franchised business must have successfully completed our training course

Managers/Training

No matter what form of business you decide to use, the person assigned to running the day to day operations of the business must have completed our training course Anyone in your employ who is a manager or crew leader of your franchise operations must also have completed our required training course

After completion of the mandatory training program, you must receive one week of field training, and you will receive direct instruction on operating in accordance with our operations standards These trainings may be completed following the mandatory training program and may be held at our headquarters or at another location of our choosing The training programs will provide you with the specific techniques and nuances that relate to the products used in the FAT NI BBQ system as well as location-specific applications of the mandatory initial training Training must be completed prior to commencing operations of your franchise You will pay the transportation, board, and lodging expenses incurred related to this training, including transportation, meals, accommodations and entertainment Your initial training fee and on-site training fee will be billed based on the location at which you register to attend You agree to pay these training fees as incurred, in connection with this Agreement

3 2 **Supplemental Training** At your option and upon not less than **3** days' prior written notice to us, you may receive additional training at our training center or at other agreed upon locations The cost for additional training shall be $250 for each day, or an additional amount as may be established within the Operating Manual

This additional training consists of visits to our franchises, work experience, and observation of franchise operations The duration of training is negotiable depending upon your needs You will not receive any compensation for services rendered by the trainee during this or any other training We may designate qualified franchisees or master franchisees to conduct some or all of your training

From time to time we may provide refresher training programs or seminars and may require that you or your managers attend and complete them to our satisfaction These programs and seminars will be held at locations we designate and will be provided without charge to you You will be exclusively responsible for paying all travel, living and other expenses and compensation of attending these programs and seminars Each year, you or the designated managers of your Franchise will be required to attend up to **20** hours of programs and seminars, depending upon program and seminar availability In addition, we may deem it appropriate or necessary to provide additional training and supervision to you and your managers and employees at your franchise location If so, you will fully participate in and complete this additional training and supervision, including additional or revised training programs and processes that may be added to the Operations Manual in the future We may charge a reasonable Training Fee for these additional training sessions not less than $180

4 COMMENCEMENT OF OPERATIONS

4 1 **Time to Complete Training and Commence Operation** You or your manager will complete to our exclusive satisfaction the mandatory training defined above, find a site location that is acceptable to you and approved by us, and commence full and continuous operation of the Franchise within 18 months after execution of this Agreement Prior to commencing operation, you will procure all necessary licenses, permits and improvements and purchase initial inventory Any failure to commence operation caused by a war or civil disturbance, a natural disaster, a labor dispute, shortages or other events beyond your reasonable control will be excused for a period of time that is reasonable under the circumstances

If this training, site location and commencement of operation obligation is not fulfilled, we may, in our discretion, terminate this Agreement by refunding not less than **one-quarter** of the Initial Franchise Fee

4 2 **You Are to Obtain Permits and Licenses** Prior to commencing business operations, you will obtain all local permits and licenses necessary to operate the Franchise, including relevant contractor licenses You will comply with all of the provisions of all other applicable federal, state or local statutes, rules or ordinances

5 FRANCHISE STANDARDS OF OPERATION

5 1 **Operations Manual, Minimum Inventory, Supplies, Plans and Specifications, and Public Relations** Our industry is highly competitive Continuous efforts to maintain, update and improve the FAT NI BBQ System are essential The developments we will make for the benefit of our franchise system as a whole are contemplated throughout the term of this Agreement The continuous development of the FAT NI BBQ System in this manner is an important and beneficial aspect of the relationship you want to have with us We agree to lend to you a copy of or otherwise provide online access to the **FAT NI BBQ** Operations Manual once you have paid to us the Initial Franchise Fee, in full The Operations Manual describes the FAT NI BBQ System, including specifications, standards, operating procedures, accounting and bookkeeping methods, marketing ideas, inventory requirements and control techniques, plans and specifications, service requirements, co-branding requirements, public relations and other rules that we may prescribe from time to time and identify as part of the Operations Manual Among other things, the Operations Manual may contain information, requirements and standards related to

- Planning and consulting
- Site selection assistance
- Permitting assistance
- Personnel management techniques
- Equipment standards and assistance
- Proprietary computer programs for estimating, point of sale, marketing, accounting, scheduling and reporting
- Inventory management assistance and training
- Written operations standards and assistance
- Initial and ongoing operational training
- Marketing and advertising

- Standards, ongoing training and ongoing support
- Insurance guidance and standards

The Operations Manual includes materials in whatever form (including electronic) we provide to you that describe the guidelines, advice, and requirements regarding the operation of your franchise, including user manuals and related instruction materials It includes amendments, supplements, and new documents made and identified by us as part of the Operations Manual The Operations Manual may be delivered to you by hard paper copy, computer diskette, CD-ROM, via an intranet or other downloading mechanism to your computer or via another medium chosen at our discretion

For avoidance of confusion, the Parties state and agree that Franchisee's compliance with the Operations Manual is a continuing condition of the franchise license from Franchisor, however, the terms of the Operations Manual are not terms of this Agreement The terms of the Operations Manual comprise a condition to the continued license of the franchise, and include such terms as may be contained in the aforesaid manual as of the date of the Franchise Agreement, together with updates thereto as may, from time to time, be provided by Franchisor to Franchisee

The Operations Manual is and will remain confidential and our exclusive property You will not disclose, copy or duplicate any part of the Operations Manual for any reason Nothing in this Agreement may be construed as an incorporation of the terms of the Operations Manual or as making the Operations Manual part of this Agreement The Operations Manual, in part, may consist of confidential

A manual or manuals, and

B any Intranet or password protected portion of an Internet site, and

C any other embodiment of the Methods of Operation, including notices of new standards and techniques including all media identified by us as part of the Operations Manual, and

D any amendments, supplements, derivative works, and replacements, whether embodied in electronic or other media

We develop minimum requirements for service, estimating products, supplies, stationery, business forms, advertising, plans and specifications, materials and signs, among other things These requirements are outlined in the Operations Manual You will purchase all initial inventory items and additional items specified from time to time in the Operations Manual We may amend the Operations Manual, including changes which may affect minimum requirements for your franchise operations You will strictly adhere to the requirements of the Operations Manual as we amend it from time to time You will implement immediately all changes at your cost, unless we otherwise specify We reasonably may restrict you from producing, stocking, and selling certain services and goods, from time to time, as specified in the Operations Manual

You must purchase items that bear the Service Marks from us or suppliers we approve from time to time Proprietary items and supplies may be private labeled by us

We retain the right to make a reasonable profit on any items, supplies and materials you buy from us We may also make a reasonable profit on supplies we purchase in bulk quantities and sell to you

We may obtain money, goods, services, or other benefits from persons and entities with which you do business, on account of that business with you These may include rebates, refunds, commissions, co-operative payments, or discounts Such benefits or funds will be received and used for purposes as may be deemed desirable in the discretion of The uses to which may put such funds may include such uses as providing supplemental training or offering promotional services to franchisees

There are no required quotas as to quantity of purchases you must make from us or from approved vendors You must only have enough supplies on hand to meet customer demand If you elect to purchase equipment, inventory, and supply items from us at our then current prices, payment must be made when you place your order The items we offer may include among other things equipment, merchandise, and supplies that bear the Service Marks You may offer these Trademark bearing items only through the Franchise

Any products and goods sold, licensed, or leased by or through us to you will be sold, licensed, or leased in accordance with the terms expressly set forth in the Operations Manual or as otherwise provided for in writing by us or the manufacturer of the products and goods **EXCEPT AS EXCLUSIVELY SET FORTH IN WRITING AND SIGNED BY US, WE MAKE NO EXPRESS OR IMPLIED WARRANTIES WITH RESPECT TO THE PRODUCTS AND GOODS, AND ALL WARRANTIES, EXPRESS OR IMPLIED, INCLUDING BUT NOT RESTRICTED TO, THE IMPLIED WARRANTY OF TITLE AND THE IMPLIED WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE, ARE EXPRESSLY DISCLAIMED UNDER NO CIRCUMSTANCES WILL OUR LIABILITY IN CONNECTION WITH ANY PRODUCTS OR GOODS EXCEED THE DOLLAR AMOUNT OF THE PURCHASE PRICE OR LICENSE FEE PAID BY YOU FOR THE PRODUCTS OR GOODS IN NO EVENT WILL WE BE LIABLE TO ANY PARTY, INCLUDING BUT NOT LIMITED TO, YOU AND YOUR CUSTOMERS, FOR ANY TORT DAMAGES OR INDIRECT, SPECIAL, GENERAL, INCIDENTAL, OR CONSEQUENTIAL DAMAGES, INCLUDING BUT NOT LIMITED TO, LOSS OF PROFITS OR ANTICIPATED PROFITS AND LOSS OF GOODWILL, ARISING IN CONNECTION WITH THE USE (OR INABILITY TO USE) THE PRODUCTS OR GOODS FOR ANY PURPOSE WHATSOEVER, EVEN IF WE ARE AWARE OR HAVE BEEN ADVISED OF THE POSSIBILITY OF POTENTIAL LOSS OR DAMAGES**

We will not be liable to you if we are unable to deliver equipment, inventory or supply items to you because of any loss, damage, or delay caused by strikes, riots, fire, insurrection, war, elements, embargoes, failure of carriers, inability to obtain transportation facilities, forces majeure, acts of God or of the public enemy, or any other cause beyond our control

You will purchase all products, supplies and materials required for the operation of the Franchise from manufacturers, suppliers or distributors approved by us All specifications that we require of you and lists of approved suppliers will be included in the Operations Manual We will use our best judgment to set and modify specifications in order to maintain the integrity and quality of the franchise system You specifically agree that as a condition to your continued use of the license granted to you pursuant to this Franchise Agreement, during and after customary business hours you will use only the type of telephone answering service or other means of telephone answering approved by us as the Franchisor Preferred vendor rates and relationships may be negotiated by us from time to time, and you agree to enter into such agreements as may be necessary to avail yourself of such approved and preferred telephone answering services and to satisfy the condition to use an approved telephone answering service

You must sell, offer for sale, distribute or deliver only such services or products that meet the specifications and standards of quality and quantity in the Operations Manual You must sell or offer to sell all approved items and services You must refrain from deviating from our standards and specifications and must discontinue selling or offering for sale any such items as we may, in our discretion, disapprove in writing at any time

You agree to offer the warranty program we set out in the Operations Manual You will promptly notify us of any warranty claim and will commence all work within a reasonable time-frame All warranty work must be performed pursuant to the Operations Manual and under the FAT NI BBQ marks You will pay all costs and expenses incurred from warranty claims related to work you originally perform, and have negotiated any acquisition of any previous customer relationships both for future sales, but also understanding your assumed liability for warranty claims for previously performed work Your acquisition of the Territory has contemplated any such assumed liabilities and accounted therefor in the negotiation of this Agreement

With advance written notice, you may request our approval to obtain products, supplies or materials from sources that we have not previously approved We may require you to give us sufficient information, photographs, drawings, samples, and other data to allow us to determine whether the items from these other sources meet our specifications and standards, as established from time to time These specifications and standards will relate to quality, taste, texture, composition, absorbency, strength, finish and appearance, and the suppliers' capacity and facility to supply your needs in the quantities, at the times, and with the reliability necessary for efficient operation We may require that samples from any supplier be delivered to a designated independent testing laboratory for testing prior to approval and use You will reimburse us for the actual cost of the tests We will license any supplier that can meet or exceed our quality control and confidential formula requirements and standards, for a reasonable license fee, to produce and deliver products to you but to no other person Our confidential manufacturing requirements, equipment, designs, systems and formulas will be disclosed to potential suppliers only after we have received reasonable evidence that the proposed supplier is trustworthy and reputable, has the capacity to consistently adhere to our standards, requirements and testing procedures, will maintain the confidentiality of the designs, systems and formulas, and will adequately supply your reasonable needs We may require a Confidentiality and Non-Disclosure Agreement signed by the proposed supplier prior to release of any confidential information We will not unreasonably withhold approval of a supplier you propose We will notify you in writing of the approval or disapproval of any supplier you propose within 30 days of our receipt from you of your written notice of request for approval

From time to time we or our agents may inspect any proposed or approved manufacturer's, supplier's, or distributor's facilities and products to assure proper production, processing, packaging, storing, and transportation Permission for inspection will be a condition of our continued approval of any manufacturer, supplier, or distributor Should we determine from any inspection that a manufacturer, supplier or distributor fails to meet our specifications and standards, we will give written notice describing this failure to you and to the manufacturer, supplier or distributor, together with a notice that unless the failure or deficiency is corrected within **30** days, the manufacturer, supplier or distributor will no longer be approved

One of the benefits accruing to you and all our other franchisees is the economy of mass purchasing power made available through us Your failure to pay or repeated delay to make prompt payment in accordance with the terms of the invoices and statements for payments due on your purchases of signs, equipment, products, supplies and other inventory items, or you misdirection of supplies or other abuse of our approved suppliers, distributors and manufacturers, will result in a loss of credit standing and goodwill and benefits otherwise available to us and our other franchisees You expressly agree to promptly pay all such invoices and statements in accordance with their terms

5 2 **Standards to Be Maintained** You will follow the FAT NI BBQ System and maintain standards for products and service that we prescribe

A You will operate the Franchise in a clean, orderly, and respectable manner in strict compliance with this Agreement and the Operations Manual You will only use signs, equipment, materials, products, inventory, plans and services that conform to our specifications to conduct the franchise

You may only use approved vehicles which are free of any rust and dents You will wash your vehicles at least once every two weeks Your vehicles will only be used for Franchise purposes including positive advertising and will not be used for any other reason that could harm FAT NI BBQ system, brand, or Marks We must approve the vehicles you use for your Franchise You will maintain your vehicles in good repair and operating condition You will adhere to our vehicle requirements and standards, including our requirements for the purchase of new vehicles

B You will maintain signs approved by us on the Franchise Premises (if at an office site or commercial location) and on vehicles you use in your franchise operations and to identify locations where you are conducting franchise services These signs must comply with local sign ordinances, regulations and laws The signs will describe you only as a franchisee operating pursuant to this Agreement You will apply only decals and logos approved by us on your vehicles, signs and equipment You will keep your signs clean and legible and free of tears, paint problems, punctures, cuts, and graffiti

C We may inspect the Franchise at reasonable times to verify your compliance with the terms of this Agreement To do so, we may

1 Inspect the Franchise,

2 Observe your operation of the franchise business for any consecutive or intermittent periods we deem necessary,

3 Select items, products and other materials, services, equipment and materials, operations and supplies for test of content and evaluation purposes to make certain that they are satisfactory and meet our quality control provisions and performance standards,

4 Interview your personnel, customers, vendors and co-branded partners, and

5 Inspect and copy any books, records and documents related to the operation of the franchise and any other franchise information we may require

6 Hire a third party "secret shopper" or present ourselves as a customer without disclosing our identity for the purpose of evaluating the quality of products, services, and experience you offer We may do this no more than three times a calendar year and for a total cost of no more than $125 00 per evaluation event

You and anyone acting as your agent will cooperate fully with us and our agents in connection with these inspections, observations, and interviews You expressly waive any rights of privacy or confidentiality you have with your personnel, customers, vendors and co-branded partners in reference to these inspections, observations and interviews

D You will comply with all applicable ordinances, regulations, bylaws, laws, and statutes You will not permit unlawful activities through the Franchise and will not sell, exchange, offer, hold, show, rent, or permit to be sold, exchanged, offered, held, shown, or rented any material or service you know or reasonably suspect to have been obtained in violation of law or to be otherwise illegal

You will secure and maintain in force all required licenses, permits and certificates relating to the operation of the Franchised Business and will operate the Franchised Business in full compliance with all applicable ordinances and regulations, including without limitation, all government laws and regulations relating to occupational hazards and health, EEOC laws, Americans with Disabilities Act, copyright laws protecting owners of artistic works, consumer protection, trade regulations, workers compensation, unemployment insurance and withholding, and payment of federal and state income taxes, social security taxes and sales, use and property taxes

E You will not sell or dispense any products or services or activities other than those we specifically recognize and approve in writing

F After we have delivered to you written notice of default or violation of this Agreement or notice of specific actions, omissions, or instances of neglect or misguidance, we may employ professional shopping services to monitor your compliance with this Agreement You will repurchase merchandise and otherwise fully reimburse these shopping services for goods, services, and other items they receive, lease, or buy from you in the process of verifying compliance, including reasonable travel and time costs (currently $35 per hour) You will hold us harmless from any such charges incurred by any shopping service We will pay all other charges made by the shopping services

G You, at your expense, will maintain the Franchise and your vehicles, equipment and furnishings in good repair, attractive appearance, and sound operating condition in compliance with the Operations Manual At our request, you will make necessary repairs in order to maintain uniform appearance and to protect the reputation of the Service Marks You will commence all repairs and changes within a reasonable time after notice from us, and you will proceed with due diligence until completion

If you do not maintain the Franchise or your vehicles as required, after notice to you, we at our option, may make the necessary maintenance and repairs and charge the cost to you If we make or direct the making of repairs, we will not incur any liability to you, including but not limited to, liability for interruption of your business during the course of making the maintenance and repairs

H You will keep your franchise open for business every business day of the year, except holidays we designate, during the hours specified or approved in writing by us For clarification, we currently consider active communication by you or your designated representative (if you are unavailable) with the Call Center as satisfying this "open for business" requirement We may change these requirements from time to time as designated in the Operations Manual

I At all times you will insure that your copy of the Operations Manual and any other manuals given to you are kept current and up to date with the amendments and updates we provide to you In the event of any dispute as to the contents of the Operations Manual, the terms of our master copies maintained at our principal place of business will be controlling

J If you fail to complete or repair a job up to the quoted estimate and job description, we may, at our sole discretion and in order to protect our brand and system reputation, complete or repair the job to the quoted estimate and description You will bear 100% of the expense and cost of any and all remedial action we take to complete or repair the job, which costs and expenses may exceed the quoted estimate

5 3 **Service Marks, Operations Manual, and FAT NI BBQ System Are Our Exclusive Property** You agree that the Service Marks, Operations Manual, and FAT NI BBQ System are our sole and exclusive property Except for the Franchise granted to you by this Agreement, nothing in this Agreement or any other agreement will give you or others any right, title, or interest whatsoever in or to the Service Marks, Operations Manual, or FAT NI BBQ System Your license to use the Service Marks is non-exclusive We, in our sole discretion, may operate under the Service Marks and may grant licenses to others to use the Service Marks on any terms and conditions we deem appropriate In those states and nations where applicable, you agree to execute on request all documents necessary to record you as a registered user of the Service Marks You will not use the Service Marks as part of any electronic mail address or in any electronic mail message except in accordance with the Operations Manual and only for purposes of the franchise

You will immediately notify us of any infringement of, or challenge to, your use of the Service Marks or any marks identical to or confusingly similar to the Service Marks, including any claims of infringement or unfair competition While we will make reasonable efforts to protect your rights to use the Service Marks, we will have sole discretion to take or not to take action, as we deem appropriate If we undertake the defense or prosecution of any litigation or administrative action involving you or any litigation or administrative action involving the Service Marks or the FAT NI BBQ System, you agree to execute any and all documents and to do all acts and things that in the opinion of our counsel are necessary or advisable to carry out the defense or prosecution This may be done either in our name or in your name, as we will elect We will not be required to participate in your defense or indemnify you for expenses or damages if you are a party to an administrative or judicial proceeding involving the Service Marks or if the proceeding is resolved unfavorably to you Instead, at any time, you will modify or discontinue use of any franchise names or Service Marks, or will use one or more substitute names or marks, if we so direct in writing at any time Our sole obligation in this event will be to reimburse you for your tangible costs in complying with our direction (i e , cost of changing signs, stationery, etc) Under no circumstances will we be liable to you for any other damages, costs, losses, rights, or detriments related to any modification, discontinuance, or substitution All obligations or requirements imposed upon you relating to the Service Marks will apply with equal force to any modified or substituted names or marks

You will not contest, directly or indirectly our ownership, title, right, or interest in the Service Marks, the Operations Manual, or the FAT NI BBQ System, or our exclusive right to register, use, or license others to use the Service Marks, Operations Manual, and FAT NI BBQ System You will not advertise or use the Service Marks without following our then current guidelines and requirements These may include, but will not be limited to, the placement of appropriate © or ® copyright and registration marks, or the designations TM or SM, where applicable

Any and all goodwill associated with the Service Marks, including any goodwill that might be deemed to have arisen through your activities, will accrue directly and exclusively to our benefit, except as otherwise provided by applicable law You appoint us as your agent and attorney-in-fact to amend or cancel any registered user or business name filings obtained by you or on your behalf that involve or pertain to the Service Marks

We claim all rights and interests, including all copyrights, to the information contained in the manuals, computer programs, advertising materials, the FAT NI BBQ website and all our communications to you in writing or otherwise setting forth our standards, requirements, operating procedures or policies relating to the operation of a FAT NI BBQ shop franchise, as well as any revisions and additions to these materials We have not registered the copyrights in any of these materials

Your knowledge of the operation of the franchised business, including the courses and other specifications, standards and operating procedures, is derived from information that we disclose to you This information, including the information contained in the manuals and the information presented during training, is confidential material owned by us Our confidential information includes our product recipes, our methods of operation, our sales and marketing techniques, our planned marketing and advertising programs, the content of our training and assistance, the contents of the Manual, the operating results and financial performance of other FAT NI BBQ shop franchisees, all customer lists and other information we receive from you, and user names and passwords allowing access to protected areas on our website or computer network

We also claim ownership of all demographic data and customer lists generated by your activity as a franchisee You must maintain the absolute confidentiality of this proprietary information during and after the term of the franchise agreement and you cannot disclose, sell or use any such information in any other business or in any manner not specifically authorized or approved in writing by us

You may use such information only in furtherance of the franchised business Each manager of your franchised business and each person who receives training from us or otherwise has access to our confidential information, and each owner of your business if you are a legal entity, must sign a written agreement that contains similar nondisclosure obligations
You must notify us promptly in writing if you learn about any unauthorized use of our copyrights or proprietary information We are not obligated to take any action but we will respond to this information as we think appropriate

All improvements in the FAT NI BBQ shop system that you develop will become our property We will have the sole right to protect such improvements in our name or in the name of any of our affiliates by means of copyright, patent, trade secret or trademark law

You must promptly disclose all such improvements to us

You will not use the Service Marks on products or services that come from any source other than us or sources we approve in writing except for products you prepare or produce pursuant to the Operations Manual and the FAT NI BBQ System

We make no representation or warranty, express or implied, as to the use, exclusive ownership, validity or enforceability of the Service Marks

We and you will use reasonable best efforts to continuously improve the products, processes and services used in the FAT NI BBQ System and to develop new products, processes and services for use as part of the FAT NI BBQ System All the improvements, inventions and developments you make, develop or create for use in the FAT NI BBQ System will be our property and we alone will hold any patent, trademark registration or other form of protection for those improvements, inventions, developments, processes, methods and practices

5 4 **You Will Not Use Names or Marks in Combination** Except as provided in this Agreement, you will not use or give others permission to use the Service Marks, or any colorable imitation of them, combined with any other words or phrases You and your owners, officers, and agents will not form or participate in the formation of any company, firm, corporation, or other entity having a name containing the words of the Service Marks You may not combine or associate any name or symbol of the Service Marks with any other name or word in any advertising or sign The Service Marks must be used in exact conformity with specifications we set in the Operations Manual

5 5 **Service Marks, Operations Manual, and FAT NI BBQ System May Be Changed** You acknowledge that the Service Marks, Operations Manual, and FAT NI BBQ System, including any future amendments or modifications to them, have substantial value, and that the conditions, restrictions, covenants not to compete, and other limitations imposed by this Agreement are necessary, equitable, and reasonable for the general benefit of you, us, and others enjoying any lawful economic interest in the Service Marks, Operations Manual, and FAT NI BBQ System

We may change or modify any part of the Service Marks, Operations Manual, or FAT NI BBQ System from time to time at our sole discretion You will accept, use, and protect, for the purposes of this Agreement, all changes and modifications as if they were a part of the Service Marks, Operations Manual, and FAT NI BBQ System at the time this Agreement is executed You will bear all costs and expenses which may be reasonably necessary as a result of such changes or modifications Under no circumstances will we be liable to you for any damages, costs, losses, or detriments related to of these changes or modifications

Complete and detailed uniformity of the Service Marks, Operations Manual, and FAT NI BBQ System under the varying conditions to be experienced by our franchisees may not be possible or practicable Therefore we reserve the right, at our discretion, to accommodate your special needs, or those of any other of our franchisees These needs may result from the peculiarities of a particular site or location, density of population, business potential, population of trade area, existing business practices, requirements of local law or local customers, landlord requirements, or any other condition which we deem to be important to the successful operation of the franchisee's business From time to time, we may allow certain franchisees to depart from normal system standards and routines to experiment with or test new products, equipment, designs, and procedures In no event will any variance or testing be deemed a waiver of any of our rights, or an excuse for you to not perform any of your duties under this Agreement We may require you at any time to commence full compliance with the Operations Manual and the FAT NI BBQ System We will not be required to grant any variance to you under any circumstances You will not require us to disclose or grant to you a like or similar variation

5 6 **Standard Uniform** You will require that all of your employees wear a standard uniform as described in the Operations Manual All uniforms will be properly laundered regularly and replaced when worn We may change the standard uniform from time to time You agree to adopt new uniforms and replace worn uniforms when necessary and bear the purchase price of them

5 7 **Employees** You will ensure that your employees present a neat and clean appearance and render friendly, efficient, sober and courteous service to your patrons in accordance with the grooming and training requirements of the Operations Manual, which may include background checks and drug testing standards You are responsible for any employee wages and compensation, payroll taxes and oth-

er required withholding, worker's compensation and benefits You will in no way obligate us for expenses incurred in the operation of your franchise including labor costs You are required to hire and maintain sufficient staff in order to handle customer volume at all times

You are responsible for making sure your employees meet the standards, specifications and procedures outlined in the Operations Manual You will hire only efficient, competent, sober and courteous employees for the conduct of the franchise business You may not hire any employees who have been found guilty of any charges of fiduciary misconduct, any form of unlawful sexual conduct, any felony of any kind, or any similar charges that reflect negatively on the person's moral turpitude and character All revenues generated under this Agreement from all business activities of the Franchise must be paid directly to you *Your Employees and Associates are not permitted to receive or request payment directly from your customers or clients to them in their personal names or capacities*

5 8 **You Will Not Communicate Confidential Information** You specifically acknowledge that you will receive valuable specialized and confidential information, including information regarding our operational, sales, promotional and marketing methods and techniques, operating procedures, processes, practices, lists of suppliers, customer lists, manuals, marketing and sales techniques and strategies, and the FAT NI BBQ System Unless required by court order or applicable law, you agree not to copy, download to internet, intranet, modem, fax, e-mail, mail or send any confidential material or divulge any material directly or indirectly to any other person or enterprise outside of the FAT NI BBQ system During the term of this Agreement and after it expires or is terminated, you will never communicate, fax, e-mail, post on an internet electronic bulletin board, divulge or use in any other manner, either for your benefit or the benefit or any other person, persons, partnerships, associations, companies or corporations any confidential or proprietary information, knowledge or know-how concerning the FAT NI BBQ System or any information we have communicated to you in written, verbal or electronic form, including intranet passwords, for the operation of your franchised business

The FAT NI BBQ System includes valuable proprietary and confidential information Unless required by court order or applicable law, you agree to not communicate or divulge the contents of our Operations Manuals or any other information related to the FAT NI BBQ System or to the operation of the Franchise or our franchise system to any person or entity except those we authorize in writing to receive the information The confidential information will be deemed to include customer lists and potential customer lists You agree that these contents and information are confidential They include information that is our exclusive property, and you may only use them in the Franchise subject to the provisions and duration of this Agreement You agree to fully and strictly adhere to all security procedures we prescribe for maintaining the confidentiality of the information You agree to disclose information to your employees only to the extent necessary to perform the franchise business You will not reverse engineer, decompile or disassemble any items embodying the FAT NI BBQ System or our confidential information

The FAT NI BBQ System is a program of accounting, identification procedures, management systems, techniques and business operations and systems that would, if used by other persons, firms or entities, give a substantial competitive advantage which we presently enjoy Any and all information, knowledge and know how, not generally known about the FAT NI BBQ System and our products, services, standards, specifications, systems, procedures and techniques, including information, manuals, contracts, customer data, supplier data, financial data, price lists, methods, techniques, processes, compilations, formulas, programs or patterns related to the operation of a FAT NI BBQ franchise and its products and services and any other information or material that we may designate as confidential, will be deemed confidential for purposes of this Agreement This will not apply to information which you can demonstrate came to your attention prior to disclosure by us, or which is or has become a part of the public domain through publication or communication by others Our confidential information is licensed, not sold, to you You will not reverse engineer, decompile or disassemble any item that embodies confidential information The Operations Manual may contain guidelines to protect confidential information [and trade secrets], including limited access to the information on a need to know basis, locking of offices and computer files, placement of appropriate legends on materials, limited access for copying and scanning, pass-word protection, and encryption You will conduct periodic meetings with your managers and employees to instruct them on their responsibilities to maintain the confidentiality of our information, including severance interviews with terminated employees in which they acknowledge in writing their post-employment confidentiality obligations

You will require as a condition of the employment of your employees and anyone else providing services to you that they maintain and protect our confidential and proprietary information, including the signing of a confidentiality agreement You must follow our security procedures, which may include the execution of approved nondisclosure agreements, and Intranet and Internet usage agreements You will be responsible to use your best efforts to enforce these covenants and agreements by your employees These covenants are for the benefit of us and the FAT NI BBQ franchise system and are enforceable by us If you become aware of any actual or threatened violations of these covenants by any of your employees and anyone else providing services to you, you will promptly and fully advise us in writing of all related facts known to you You will cooperate with us in all ways we reasonably request to prevent or stop any violation This may include institution or permitting to be instituted in your name any demand, suit or action that we determine is advisable The demand, suit or action may be maintained and prosecuted by us and you at your expense

You will use your best efforts to assure that you and all your agents, employees, consultants, partners, owners, members, officers, directors, and shareholders and other persons in your control, to whom any information is communicated, will keep, preserve, and protect all confidential information

This section contains prohibitions based upon an understanding that you, your key employees, your officers, your partners, your employees, members and stockholders (as applicable) will possess knowledge of business and operating methods and confidential information, disclosure of which would prejudice our interests and our other franchisees

If you engage in any food or beverage business or operations within **2** years of the expiration, termination or transfer of this Agreement, you will prove to us that you have not used our confidential information in that business This **2**-year period is not intended to limit the duration of your obligation to preserve the confidentiality of the information and to not use the information after expiration, termination or transfer of this Agreement

5 9 **Conflicting or Competing Interests** You will diligently, faithfully, and honestly perform your obligations pursuant to this Agreement You will use your best efforts to develop, promote, and enhance your franchise You will not engage in any activity or business enterprise that conflicts with these obligations We require that you, or your majority owner if you are a corporation, limited liability company or partnership, participate fully in the actual day to day operation of the franchise business

At all times the Franchise must be under your direct supervision You will devote a substantial enough amount of time and energy to properly operate the Franchise What constitutes proper operation will be in our sole reasonable discretion In your absence, the Franchise must be under the direct supervision of a manager who has successfully completed the required training programs and who devotes the necessary time during business hours to the management of the Franchise

In express consideration for and during the term of this Agreement, neither you nor your owners, shareholders, members, partners, directors, officers, employees, consultants, distributors, or agents, nor the members of your or their immediate families or households (who have access to or knowledge of the Operations Manual or FAT NI BBQ System), will directly or indirectly participate as an owner, shareholder, member, partner, director, officer, employee, consultant, franchisor, franchisee, distributor, advisor or agent, or serve in any other capacity in any business (including business in formation) engaged or to be engaged in the sale or rental at wholesale or retail or on the Internet of food or beverage services or any business that offers products or services that are essentially the same as, or substantially similar to, the products and services that are part of the FAT NI BBQ System We may waive this covenant only in writing During all of these periods, you agree to promptly and fully disclose to our Chief Executive Officer any business opportunity coming to your attention, or conceived or developed in whole or in part by you, which relates to our business

You will use your best efforts to assure that you and your owners, directors, officers, partners, shareholders, members, employees, consultants, and agents, during the term of this Agreement and for a period of **2** *years after expiration or termination of this Agreement do not*

A divert or directly or indirectly attempt to divert any of our business or any of our customers to any competing establishment,

B employ or seek to employ any person we employ or any other person who is at that time operating or employed by or at any of our franchises or otherwise directly or indirectly induce these persons to leave their employment, nor

C do or perform, directly or indirectly, any other act injurious or prejudicial to our goodwill associated with the Service Marks and FAT NI BBQ System

If, for any reason, any provision set forth in this Subsection is determined to exceed any lawful scope or limit as to duration, geographic coverage, or otherwise, it is agreed that the provision will nevertheless be binding to the full scope or limit allowed by law or by a court of law The duration, geographic coverage and scope allowable by law or court of law shall apply to this Agreement

The provisions relating to interests in any other business will not apply to your ownership of outstanding securities of any corporation whose securities are publicly held and traded Provided that you hold these securities for investment purposes only and that your total holdings do not constitute more than **5%** of the outstanding securities of the corporation

You will use your best efforts to obtain written covenants from your owners, shareholders, members, partners, directors, officers, employees, consultants, distributors, and agents in a form satisfactory to us that these persons will comply with the provisions of this Section

You and we stipulate that, in light of all of the facts and circumstances of the relationship between you and us, the covenants, restrictions and agreements referred to in this Section (including without limitation their scope, duration and geographic extent) are fair and reasonably necessary for the protection of our confidential information, goodwill and other protectable interests If a court of competent jurisdiction should decline to enforce any of those covenants and agreements, you and we request the court to reform these provisions to restrict your use of confidential information, non-solicitation, ability to compete with us, and any other covered topics to the maximum extent, in time, scope of activities, and geography, the court finds enforceable under applicable law

5 10 **Computer Systems** You will install and use accounting and inventory control computer systems approved by us You will purchase, lease, or otherwise acquire, from sources of your choice and at your expense, computer hardware and software (including but not limited to programs, computer terminals, Internet and other network access providers, web site vendors and video conferencing) that are totally compatible with and strictly conform to all requirements, standards, and specifications we may set from time to time, including coordination with consolidated systems used at co-branded locations You must have these systems in operation prior to opening for business You must comply with any separate software or other license agreement that we or our designee uses in connection with providing these services to you

Use of the operations software, as required by the Operating Manual, may also incur a monthly hosting and software support fee, which may be adjusted upon our delivering to you a thirty-day written notice of price adjustment, which you agree to pay monthly, on or before the 5th day of each calendar month This fee offsets the cost to us of maintaining the software in working order and performing maintenance and updates as appropriate

You are required to have DSL or other high speed Internet service to your business or home office where you will be able to access downloads from us of advertising materials, operations manual revisions, training materials and corporate news and through which we may have access to your computer systems and records You must also have a laptop computer and cell phone You must have a wireless card or similar technology for your laptop computer to remotely connect to the internet to assist you in making on-site bids and proposals to customers

You must purchase your point of sale system from our supply affiliate or designated provider, as that supply affiliate or designated provider is identified in the Operations Manual and at the rates then-offered by the designated provider Aside from the point of sale system, we do not specify the brand or model of computer or printers you must use, but any computer you use must be industry-standard and meet our specifications, and we may specify brands or models in the future Your printer or printers must have the ability to print customer receipts at the point of sale and mark any diningware with our logo or trademark You may obtain the computer equipment from any vendors so long as the vendors meet our requirements

Your systems must be Internet-connected via broadband at all times and interfaced with our system to enable us to electronically access your daily receipts figures from our headquarters at any time In other words, we will have independent access to the information generated and stored in your cash register or computer systems There are no contractual limitations on our right to access this information

We will manage the license with the point-of- sale provider we select for the system of FAT NI BBQ shops nationally Our current point-of- sale provider is SQUARE (https //squareup com) You will pay such provider its standard fee for such license This monthly fee includes all required update and upgrades to the system

We do not require that you engage any other third party vendor to maintain your computer system But if you do, any updates or upgrades will be at your expense The cost of maintaining, updating or upgrading your computer system or its components in addition to the point-of- sale maintenance might range from nothing to as much as $2,000 in any year It will depend on local costs of computer maintenance services in your area and technological developments that we cannot predict We may also require upgrades in accordance with the terms of the franchise agreement There is no limitation on the frequency or cost of such upgrades

E-PROBLEM DISCLAIMER Computer systems are vulnerable in varying degrees to computer viruses, bugs, power disruptions, communication line disruptions, Internet access failures, Internet content failures, the Year 2000 problem and similar date-related problems, and attacks by hackers and other unauthorized intruders ("E-Problems') We do not guarantee that information or communication systems that we or others supply will not be vulnerable to E-Problems It is your responsibility to protect yourself from E-Problems You should also take reasonable steps to verify that your suppliers, lenders, landlords, customers, and governmental agencies on which you rely, have reasonable protection from E-problems This may include taking reasonable steps to secure your systems (including firewalls, password protection, and anti-virus systems), and to provide backup systems

5 11 <u>**Terms of Product Sales**</u>

A To receive products, you must deliver to us a purchase order that specifies the products All orders you submit are subject to acceptance at our corporate headquarters We reserve the right to reject any order that is not credit approved or does not conform to the provisions of this Agreement All orders accepted for delivery will be governed exclusively by the terms and conditions of this Agreement Unless we agree in writing, no additional or different terms and conditions appearing on the face or reverse side of any order you issue will become part of that order Our acknowledgment of your purchase order will not be acceptance of any additional or different terms and conditions

B Shipments are subject to availability Upon notice to you, we may schedule and reschedule any order, at our discretion We may decline any order for credit reasons or because the order specifies an unreasonably large quantity or makes an unreasonable shipment request

C We will use commercially reasonable efforts to meet any scheduled shipment date However, we will not be liable for delays in meeting a scheduled shipment date for any reason If products are scarce, we will allocate them equitably, at our discretion, among our customers

D Unless otherwise agreed, the products will be shipped only to your approved facility and only after receipt of an order from you

E We may refuse to ship or delay the shipment of any products on order if you become delinquent in payment of your obligations, exceed established credit lines, fail to meet our other credit or financial requirements or fail to provide financial information when we request No cancellation, refusal or delay will terminate this Agreement

F All products will be delivered to you F O B origin upon transfer to a common carrier You will pay all transportation, insurance, rigging and drayage charges

G On delivery of products to carrier, title (or with respect to Licensed Programs licensed, not sold, title only to the media on which the Licensed Program is delivered) will pass to you and you will assume responsibility for promptly advising the carrier and insurer of the loss, for filing a claim and for recovery of any sums owed by them to you Upon request, we will cooperate with you to establish a claim

H You grant to us a security interest in the products and proceeds as security for your obligations under this Agreement Upon request, you will execute and file all instruments or documents necessary to perfect any security interest You acknowledge that we may file a copy of this Agreement as a financing statement for that purpose

I You will maintain sufficient inventories of products and employ sufficient help to operate your business at a level of capacity and market penetration commensurate with the reasonable demands of the marketplace

J You will represent fairly all products you purchase from us

K You will comply with all of the obligations and requirements imposed upon you by the manufacturers or distributors of the products

L You will use commercially reasonable efforts and good faith to promote, demonstrate and sell the products and services

M You will provide to us forecasts of your projected purchases of products

N You acknowledge that we are not the manufacturer of the products The products are subject to the manufacturer's standard warranty We disclaim all warranties, including the implied warranties of merchantability and fitness for a particular purpose No representation, affirmation of fact, or statement regarding capacity or suitability, which is not in this Agreement, will be a warranty by us for any purpose

O We will not be liable for any loss or damage claimed to have resulted from the use, operation or performance of the products, whatever the form of action Our maximum liability to you, whether based upon contract, warranty, tort or otherwise, will not exceed the actual amount you pay to us for the specific product that causes the damages These limitations of liability will not apply to claims for personal injury caused by our negligence We will not be liable to you for special, indirect, incidental or consequential damages or from any damages resulting from loss of use, data or profits

6 RENEWAL, TERMINATION AND STEP-IN RIGHTS

6 1 Renewal of Franchise

A If you are not in breach, you may renew the Franchise for periods of the smaller of **5** years or until the end date of your lease, under the terms of our then-current Franchise Agreement forms "Then-current," as used in this Agreement and applied to our Franchise Disclosure Document and Area Development Agreement will mean the form then currently provided to prospective franchisees or area developers, or if not then being provided, then the form we select in our sole discretion which previously has been delivered to and executed by a franchisee of ours You will exercise your renewal option by giving written notice to us The notice must be given at least three months, but no earlier than six months, before the end of the franchise term established by this Agreement To be eligible for renewal, you must be in good standing under your agreement, and pay a renewal fee of the greater of $10,000 or 25% of the then-current initial franchise fee You will additionally be obligated to undertake any remodeling or other decorative or architectural changes to comply with our then-current design package

You will reimburse up to **$2,500**, plus applicable taxes, to cover the costs of closing, processing paperwork, training, upgrading and the continued use of FAT NI BBQ System during the term of the new agreement of the Franchise The renewed Franchise Agreement will be evidenced by you signing the Franchise Agreement forms we then are using (with appropriate modifications to reflect the fact that the agreement relates to the grant of a renewal franchise) These forms may vary materially from this Agreement Licensing Fees, National Advertising Fees, Local Advertising expenditures and other fees will be set at the then prevailing rates and terms Your failure or refusal to execute the Renewal Franchise Agreement forms within **30** days after delivery to you may be regarded as an election by you not to renew Upon renewal, the Franchise must remain located in the geographical territory designated in this Agreement The Franchise Territory and its geographic area may be modified to meet our then current franchise market penetration and demographic standards and co-branding requirements

You will refurbish the Franchise and its vehicles and equipment to conform to the then current Operations Manual and FAT NI BBQ System You must make all capital expenditures reasonably required to renovate and modernize the Franchise and its vehicles, signs and equipment to reflect the design and decor image of FAT NI BBQ franchises we then are requiring of new or renewing FAT NI BBQ franchises These expenditures will be in the amount necessary to make the Franchise modern and fresh and to resolve wear and tear

You must execute a general release, in a form we prescribe, following applicable law, to release us from any claims you may have against us

Before renewal, you or your designated manager will attend and successfully complete any retraining program we prescribe in writing This will be done at your expense, including travel, meals and lodging The renewal fee will cover our training fees and costs

B We may refuse to renew this Agreement if you fail to satisfactorily comply with this Agreement The determination of satisfactory compliance will be within our exclusive discretion in good faith If we refuse to renew, you must continue to perform under this Agreement until its expiration

C <u>Continuation</u> You have no automatic right to continue operation of the Franchise following expiration or termination of this Agreement If you continue to operate the Franchise with our express or implied consent, following the expiration or termination of this Agreement, the continuation will be a month-to-month extension of this Agreement This Agreement will then be terminable by either party upon **30** days written notice Otherwise, all provisions of this Agreement will apply while operations continue Upon termination of this Agreement under this section, all post-termination covenants and obligations in this Agreement will apply

6 2 **Termination by You** You may terminate this Agreement if you comply with the terms of this Agreement and if we substantially breach any material provision of this Agreement and fail to cure or

reasonably to begin to cure that breach within **30** days after receipt of written notice specifying the breach Termination will be effective **10** days after you deliver to us written notice of termination for our failure to cure within the allowed period

6 3 **Termination by Us**

A The following provisions are in addition to all other remedies available to us at law or in equity We will have the option to cure your breaches at your expense

If your agreement is terminated by us pursuant to this Section 6 3, we have the right to make an offer to purchase the assets of your business within 90 days ("Qualifying Offer") Upon the exercise of our Qualifying Offer, you will be understood and deemed to have accepted the offer if no response is delivered to us within 30 days If you do not accept, you must deliver to us within 30 days of your receipt of a Qualifying Offer a Request for Appraisal, under which, at your expense, the assets of your business will be appraised by a qualified business appraiser The determination of that appraiser shall set the fair market value of your business's assets, and we will have 30 days following receipt of the same to make a Revised Qualifying Offer, which shall be treated as a Qualifying Offer thereafter In no event shall we forfeit this right to make a Qualifying Offer until 30 days shall have expired with no response following our most recent Qualifying Offer or until 30 days have expired since we received an Appraisal under this provision, with no Revised Qualifying Offer made by us in response to the Appraisal

You agree that if a default by you or other material breach results in termination by us, pursuant to this Section 6 3, that liquidated damages shall result from the termination The liquidated damages shall be calculated by determining your average monthly revenue over the most recently complete twelve months of reported revenues That twelve month average shall then be multiplied by the number of months remaining in your agreement The resulting product shall then be further multiplied by 3% to yield the total liquidated damages

If you breach or default in any of the terms of this Agreement, we have the right to appoint a receiver to take possession, manage and control assets, collect profits, and pay the net income for the operation of the Franchise as ordered by a court of jurisdiction The right to appoint a receiver will be available regardless of whether waste or danger of loss or destruction of the assets exists, and without the necessity of notice to you

1 You irrevocably nominate, constitute and appoint the person serving from time to time as our President to be your attorney-in-fact so to act in your name and on your behalf

2 At our election and without waiving any claims for default or breach and without prior notice to you or resort to legal process, we may enter upon any premises using the reasonable force as is necessary in the circumstances, without being guilty of trespass or liable to you or the property owner for the entry, for the purposes of securing the return of our property, the performance of your obligations of discontinuance and the protection of our rights upon expiration or termination of this Agreement

If any payments to us, our affiliates or approved vendors are late by more than 15 business days, we may order all product deliveries withheld from you until the payments are received

You agree that it will be a _default constituting a substantial breach of a material provision of this Agreement pursuant to relevant law, thus establishing good cause for termination_ of this Agreement and any other franchise and related agreements between the parties if you (or your owners, officers, or key employees) breach any term or provision of this Agreement and do not cure the breach (or reasonably begin to cure and diligently pursue the cure until the breach is remedied) within **30** days after receipt of our written "Notice to Cure " Included among the grounds for such Notice to Cure are, without limitation, nonpayment of financial obligations, failure to adhere to the Franchise Agreement or Operation Manual, improper use of Trademarks, payments seven or more days past due, failure to commence operations as required, failure to complete training, unauthorized use of confidential information, attempt to transfer the Franchise

Agreement without authorization, default under your lease, failure to carry required insurance, or default by your guarantor Termination will occur immediately upon delivery to you of our written declaration of termination for failure to cure within the allowed time frame

You further acknowledge and agree that we may limit or completely shut down your access to our software, services, systems, and related services and technologies if you fail to make timely payment of service, licensing, or other fees or otherwise breach this Agreement

B You agree that it will be a default constituting a *substantial breach of a material provision of this Agreement pursuant to relevant law, thus establishing good cause* for us to immediately terminate this Agreement and any other franchise and related agreements between the parties without other cause, and without giving you an opportunity to cure, if you (or your owners, officers, or key employees)

1 Become insolvent, make a general assignment for the benefit of creditors, have a receiver appointed to administer or take possession of any part of the franchised business or your assets, or admit to not being able to meet your obligations as they become due or become bankrupt, or become subject to any chapter of the United States Bankruptcy Code, unless you

a timely undertake to reaffirm the obligations under this Agreement,
b timely comply with all conditions as legally may be imposed by us upon such an undertaking to reaffirm this Agreement, and
c timely comply with such other conditions and provide such assurances as may be required in relevant provisions of the United States Bankruptcy Code,

provided, however, that we and you acknowledge that this Agreement constitutes a personal service contract and that we have relied to a degree and in a manner material to this Agreement upon the personal promises of you and/or your directors, officers, shareholders or partners, as the case may be, to participate personally on a full-time basis in the management and operation of the franchised business, and, consequently, we and you agree that any attempt by any other party, including the trustee in bankruptcy or any third party, to assume or to accept an assignment of this Agreement will be void

2 Fail to operate the Franchise continuously and actively for **5** consecutive days or for any shorter period after which it is reasonable under the facts and circumstances to conclude that you do not intend to continue the Franchise or maintain a suitable Franchise location

3 Fail to comply with any requirement of this Agreement or of any related agreement between the parties within twelve months after having received the most recent of three or more **30**-day or **5**-day Notices to Cure deficiencies in performance of the same or any other requirement pursuant to Subsection (A) above or this Subsection (B), whether or not you had corrected your earlier failures to comply after we delivered notice to you

4 On more than two occasions fail to report monthly Revenue on time, understate monthly Revenue by more than **2%**, or distort other material information

Make or have made any material misrepresentation or misstatement on the franchise application or with respect to ownership of the Franchise If you misrepresented yourself and are a competitor of ours or a competitor of an affiliate of ours, we may keep your entire initial franchise fee, cancel training and terminate this Agreement

5 Allow the Franchise or Franchise Premises to be seized, taken over, or foreclosed by a creditor, lien holder, or lessor, let a final judgment against you to remain unsatisfied for **30** days (unless a supersedeas or other appeal bond is filed), or allow a levy of execution

upon the Franchise or upon any property used in the Franchise, that is not discharged by means other than levy within **5** days of the levy

6 Are convicted of a felony, or are convicted of any criminal misconduct relevant to the operation of the Franchise

7 Within a period of **10** days after notification of noncompliance, fail to comply with any federal, state or local law or regulation applicable to the operation of the Franchise

8 Fail to pay any Franchise, Licensing, or National Advertising Fees or other amounts owed pursuant to this Agreement within **5** days after receipt of written notice that the fees or amounts are overdue

9 Operate the Franchise in a manner that creates an imminent danger to public health or safety

10 Do not keep confidential information related to the Franchise confidential except to employees or persons authorized to know

11 Fail to obtain agreements from your employees to keep confidential information confidential

12 Attempt to unilaterally repudiate this Agreement or the performance or observance of any of its terms, conditions, covenants, provisions or obligations by any conduct evidencing your intention to no longer comply with or be bound by this Agreement

6 4 **Time Frames Subject to Applicable Laws** The provisions of this Agreement may state periods of notice less than those required by applicable law They may provide for termination, cancellation, non-renewal or the like other than according to applicable law They will be extended or modified to comply with applicable law

6 5 **You Will Discontinue Use of Service Marks, Operations Manual, and FAT NI BBQ System on Termination of Agreement** Substantial damages that are difficult to determine at the date of execution of this Agreement will accrue to us if you do not comply with any of the following requirements upon expiration or termination of this Agreement Upon expiration or termination of this Agreement, you will

A Immediately cease using the Service Marks (or any names or marks deceptively similar to them), the Operations Manual and the FAT NI BBQ System

B Return to us all copies of the Operations Manual and customer lists Return to us all records, files, instructions, correspondence, and materials in your possession or control related to the FAT NI BBQ System You will give us a complete and accurate summary of your advertisers, customers and leads, including their names, addresses, telephone numbers and related file records You will assist us in every way possible to bring about a complete and effective transfer of your franchise business to us or to our designated franchisee

C Authorize telephone, Internet, email, electronic network, directory and listing entities to transfer all numbers, addresses, domain names, locators, directories and listings to us or our designee Notify them of the termination of your right to use the Franchise names and Service Marks You authorize the transfer of your telephone numbers and directory listings and Internet addresses, domain names and locators to us or our designated franchisees You appoint us as your agent and attorney-in-fact to effect the transfer of these telephone numbers and directory listings and domain names and Internet directory listings to us You agree that we will be treated as the subscriber for the telephone numbers and directory listings We will have full authority to instruct the applicable telephone, directory and listing companies on the use and disposition of the telephone listings and numbers You release and indemnify these companies from any damage or loss because they follow our instructions

D Make reasonable modifications to the interior and exterior of any retained premises and vehicles to reduce your identification as a part of our franchise system These modifications will include but will not be limited to removal of reasonable alterations to eliminate any possibility of confusion with any other FAT NI BBQ operation

E Pay to us within **seven** days all Licensing Fees, National Advertising Fees, and other sums you owe These sums will include all damages, costs and expenses, including reasonable attorneys fees and collection costs, we incur because of your breach These sums will include all costs and expenses, including reasonable attorney fees, we incur in obtaining injunctive, appellate, or other relief to enforce the provisions of this Agreement

F Abide by all provisions of the restriction upon communication of confidential information set forth above and the post-termination Covenant Not to Compete set forth below You will immediately return to us all of our confidential information you have received, including any items that embody the confidential information You acknowledge that you have no continuing ownership interest in the confidential information

G At our option, do some or all of the following

H Remove all Franchise-related equipment, furnishings, and inventory from the Franchise Premises,

I Sell the equipment, furnishings, and inventory to us, at the following purchase prices

a For new and unused items, your cost as originally invoiced to you less a restocking charge equal to 15 percent of your cost

b For used items, products, equipment, supplies, materials and inventory, the current fair market value less 20 percent of the value

c For leasehold improvements, machinery, equipment, fixtures, furnishings and signage - the lesser of

i the current fair market value less 20 percent of the value,

ii your cost as originally invoiced to you less 20 percent of your cost

d Damaged, obsolete or discontinued items will be transferred to us at no cost

e We will not be liable for payment to you for intangibles, including, without limitation, goodwill

f In each the instance we may deduct from any monies payable to you all sums due by you to us or your suppliers, whether under this Agreement or any other agreement or instrument

J If the Franchise Premises is at a commercial location, assign to us the lease for the Franchise Premises and ownership and control of any web site you own or control,

K Unless we state in writing that we do not intend to exercise this right, the parties must agree upon a purchase price and terms within **5** business days after termination of this Agreement If not, a fair value and fair terms will be determined in McKinney, Texas by three appraisers Each party must select one appraiser The two appraisers chosen must then select a third appraiser Each party will pay for its own appraiser and each party will pay half for the third appraiser The parties may then present evidence of the value of the Franchise and fair terms for the purchase The appraisers must exclude from their decision any amount or factor for the "goodwill" or "going concern" value of the Franchise The decision of the majority of the appraisers will be conclusive Any time within **30** days after receiving the appraisers' decision, at our option we may purchase the Franchise and your assets at the price and upon the terms determined by the appraisers

L Upon termination for any reason, you will return to us all proprietary and confidential materials, including client lists, keys, codes, signage, advertising and marketing materials, uniforms, service agreements and other forms, printed files, clients lists and account information, security codes, cards and passes, picture identification badges and the like as described in the Operations Manual If you fail to return or cease use of any of these items, we may enter your business premises without being guilty of trespass or any other tort to remove and retain the items You will pay to us, on demand, any expenses we incur in trying to remove or collect such items or in attempting to have you cease use of them Your failure to immediately return all keys and security codes or passes to us may result in us changing locks, keys and codes at client premises at your expense

M You agree to continue to provide warranty coverage as necessary to your past customers or compensate FAT NI BBQ for such warranty coverage if necessary Warranty coverage will not automatically transfer to FAT NI BBQ upon termination

N **Liquidated Damages** Subject to applicable law, upon the expiration, termination or transfer of this Agreement, it is understood and agreed that we will suffer damages if you do not immediately comply with the requirements of this Agreement In addition to any other remedy provided for or available to us at law or equity, we will have the right to claim and recover damages from you for your failure to comply You agree that for each day subsequent to the expiration, termination or transfer of this Agreement that you operate the Franchise without having complied with the requirements this Agreement, you will pay to us the non-refundable sum of **$200 per day** as and for liquidated damages in respect of your failure You agree that this sum represents a genuine attempt by the parties to pre-estimate the magnitude of the damages caused by your failure

6 6 **We May Assign Territory Upon Termination** Upon expiration or termination of this Agreement, we may immediately license or franchise the Franchise Territory to another person or may operate FAT NI BBQ businesses within the Franchise Territory

6 7 **Our Step-In Rights** The parties want to prevent any operation or interruption of the Franchise that would cause harm to the Franchise and to our franchise system and lessen their value Therefore, you authorize us to step in to operate the Franchise for as long as we believe necessary and practical in our exclusive judgment We may do so without waiving any other rights or remedies that we may have Cause for stepping-in may include our reasonable determination that you are incapable of operating the Franchise, you are absent or incapacitated because of illness or death, you have failed to pay when due any real property, equipment rent or lease payments, suppliers, or inventory payments, you have failed to pay to us when due any franchise, licensing, advertising, or other fee, you have failed to pay when due any taxes or assessments against the Franchise or property used in the Franchise, you have failed to pay when due any liens or encumbrances placed upon or against your business property, your business activities are having a negative impact upon the value of our franchise system or we decide that significant operational problems require us to operate the Franchise for a time We may exercise our step-in rights if you are ill or disabled, you, your lender, or the SBA requests our assistance or agrees to our proffered support and supervision, directly or indirectly or through contract agents If you have a loan for the franchise that is guaranteed by the Small Business Administration, our right to step-in will be limited to a **60** day period unless otherwise requested or agreed with the lending bank at that time Thirty days after exercising our step-in rights, we will re-evaluate your then-current status At our discretion, we will either operate for an additional 30-day period or turn the operation back over to you In turning the operation back over to you, we do not waive our rights to step back in the future

All Revenue from our operation of the Franchise will be for your exclusive account We will pay from that Revenue all expenses, debts and liabilities we incur during our operation of the Franchise This will include our personnel and administrative costs, plus **15%** to cover our overhead expenses In addition, we will have the option, but not the obligation, to pay for you any claims owed by you to any creditor or employee of the Franchise You will reimburse us upon demand, including at the rate set forth above for overdue amounts

We will keep in a separate account all Revenue generated by the operation of the Franchise, less the expenses of operation

We will have no obligation to retain any employee of the Franchise, nor to honor any contractual employment commitments you previously made If we elect to retain any employee, employment will be pursuant to a new employment agreement between us and the employee Employment will commence on the first business day on which we carry on business through the Franchise Any claim by an employee for unpaid salary, vacation pay, or other benefits will be your responsibility

Upon our exercise of these Step-In Rights, you agree to hold us harmless for all acts, omissions, damages, or liabilities arising during our operation of the franchise

Our operation of the Franchise will not operate as an assignment to us of any lease or sublease of franchise property We will have no responsibility for payment of any rent or other charges owing on any lease for franchise property, except as the charges relate to the period of our operation of the Franchise

You agree to pay our reasonable legal and accounting fees and costs we incur because of our exercise of these Step-In Rights

6 8 **You and Your Owners Not to Compete on Expiration, Termination or Transfer of Agreement** This covenant will apply for **720** days after termination, expiration or transfer of this Agreement In express consideration for this Agreement, you will assure that you and your owners, shareholders, partners, directors, officers, employees, and agents, and the members of their immediate families or households (who have actual knowledge of or access to the Operations Manual or FAT NI BBQ System), will not directly or indirectly participate as an owner, shareholder, director, partner, officer, employee, consultant, franchisor, franchisee, distributor, advisor or agent, or serve in any other capacity in any business engaged directly or indirectly in the offer, sale, rental, Internet dissemination, or promotion of food or beverages or services or any business that offers products or services that are essentially the same as, or substantially similar to, the products and services that are part of the FAT NI BBQ System This covenant applies within the Franchise Territory, within a **100**-mile radius of the Franchise Territory, within a **100**-mile radius of any location where we operate or have granted the franchise to operate a FAT NI BBQ business, and within the United States of America

You acknowledge and confirm that the time, content and geographical restrictions contained in this Section are fair and reasonable They are not the result of overreaching, duress, or coercion of any kind by us You further acknowledge and confirm that your observance of the covenants contained in this Agreement will not cause you any undue hardship, financial or otherwise, and that enforcement of each of the covenants contained in this Agreement will not impair your ability to obtain employment commensurate with your abilities and on terms fully acceptable to you, or otherwise to obtain income required for the comfortable support of your family and the satisfaction of your creditors Your knowledge of the FAT NI BBQ System would cause our franchise system serious injury and loss if you use the knowledge to the benefit of a competitor or to compete with us or our franchisees

If, for any reason, any provision set forth in this Subsection exceeds any lawful scope or limit as to duration, geographic coverage, or otherwise, it is agreed that the provision will nevertheless be binding to the full scope or limit allowed by law or by a court of law The duration, geographic coverage and scope allowable by law or court of law shall apply to this Agreement

7 **TRANSFER**

7 1 **Sale or Assignment**

A Your rights and obligations under this Agreement are exclusive to you Whether voluntarily or involuntarily, neither you, your owners, partners nor others claiming an interest in the Franchise will sell, transfer, assign encumber, give, lease, or sublease, or allow any other person to conduct business in or through (collectively called "transfer") the whole or any part of this Agreement, the Franchise Premises (if at a commercial location), substantial assets of the Franchise business, or ownership or control of you or to fractionalize any of the rights granted to you pursuant to this Agreement Any attempted transfer without our prior written consent will be a breach of this Agreement Our consent will not be unreasonably withheld We need not consent to any transfer before the date the Franchise opens for business

Because we will have a strong and vested interest in the financial viability and ongoing management abilities of the transferee, we need not consent to any transfer if we reasonably believe the purchase price is excessive or if we believe based upon a review of the transferee's operational and business plans that the transferee's business operations might not be beneficial on a cash flow or financial basis

We enter this Agreement, in part, in reliance upon the individual or collective character, skill, attitude, business ability and financial capacity of you (or your shareholders, members or partners, if you are a corporation, limited liability company, partnership or other entity)

You recognize that there are many subjective factors that comprise the process by which we select a suitable franchise owner Our consent to a transfer by you will remain a subjective determination and will include, but not be limited to the following conditions Before the effective date of a transfer we approve

1 The transferee must assume your Franchise obligations You will remain bound by your covenants in this Agreement to not disclose confidential information and to not compete with us or our franchisees

2 You will pay all ascertained or liquidated debts concerning the Franchise

3 You may not be in breach of this Agreement or any other agreement between the parties Our consent to the transfer will not constitute a waiver of any claims we may have against you

4 The transferee will complete to our exclusive satisfaction the training programs we then require of new franchisees or otherwise show to our satisfaction sufficient ability to successfully operate the Franchise The cost of this training and our related evaluations are included in the Transfer Fee described below

5 You or the transferee will pay a Transfer Fee according to our then current Transfer Fee Schedule This fee will reimburse us for our reasonable legal, accounting, credit check, and investigation expenses that result from the transfer The Transfer Fee will be equal to the greater of **$7,500** or 5% of the proposed purchase price, taken out of the proposed purchase price for the Franchise, plus applicable taxes The Transfer Fee will be paid by delivering i) a non-refundable deposit of $1,000 with the written request for our approval of the proposed purchaser, and ii) the balance on the closing date of the transfer

6 You will pay us a **10%** commission on the gross transfer price (excluding the price of real property), if we obtain the transferee for you

7 You agree that up to 5% of the gross transfer price will be held by us in escrow for the twelve (12) calendar months following the date of the sale to cover any warranty or service agreement claims by your customers The exact percentage held in escrow will be determined by the number and value of projects completed by you in the twelve (12) calendar months preceding the sale If a warranty or service agreement claim is made, we will charge the escrow fund our then-current hourly service fee (a minimum of $100 per hour) for labor plus the actual cost of materials and supplies plus a $50 processing fee for each claim At the conclusion of the twelve (12) months, we will release any remaining escrowed funds to you If there are no claims, a one-time processing fee of $150 will be charged, with the remaining funds released to you

8 The transferee will execute all documents we then require of new franchisees This includes a new franchise agreement in the form we then are using The new franchise agreement may contain economic and general terms that are materially different from those contained in this Agreement The term of the new agreement will be for the unexpired term of this Agreement or for a new full term as we will elect You must ask us to provide the prospective purchaser with our current form of disclosure document required by the applicable federal or provincial/state registration and disclosure laws, and a receipt for this document will be delivered to us, provided however, we will not be liable for any representations you make apart from those contained in our disclosure document

9 The transferee will meet our standards for quality of character, financial capacity, and experience required of a new or renewing franchisee You will provide information we require to prove the transferee meets our standards

10 If permitted by applicable law, you and your owners, members, partners, officers, and directors will execute a general release in our favor The release must be in a form we prescribe, following applicable law, to release any claims you may have against us and our representatives, subsidiaries and affiliates and our officers, directors, attorneys, shareholders and employees in their corporate and individual capacities This will include claims arising under federal, state and local laws, rules and ordinances arising out of, or connected with, the offer, sell and performance of this Agreement or any other agreement between the parties

11 If the Initial Franchise Fee has not yet been paid in full, it must be paid in full despite the due date for payment established by this Agreement

12 If you have lease or sublease for the Franchise Premise and such document requires, the lessor or sublessor must have consented to the assignment or sublease of the Franchise Premises to the transferee All equipment must be inspected and certified by a qualified professional inspector to be in good working order and free of operational defects It will be your responsibility to bring all equipment to proper working order before the transfer takes place

13 You will enter into an agreement to subordinate, to the transferee's obligations to us (including the payment of all franchise fees), any obligations of the transferee to make installment payments of the purchase price to you The form of this subordination is subject to our approval

14 The transferee will refurbish the Franchise, and its equipment and signage to conform to the current Operations Manual and FAT NI BBQ System within 90 days of transfer

15 Upon our granting of approval for the transfer, you will

a ensure that the transfer is effected in compliance with the requirements of all federal, state, and local laws, including applicable tax and bulk sales legislation, b deliver to the purchaser the Operations Manual and all other manuals and materials we provided to you for use in the Franchise, including all materials bearing the Trademarks and our advertising, promotional and training materials, order books and bookkeeping and reporting forms

B With our prior written consent, you may transfer your rights and obligations under this Agreement to a corporation or other entity in which you continuously own a majority of the issued and outstanding shares of each class of stock or other evidence of ownership The entity must be newly organized with its activities confined exclusively to act as the franchisee under this Agreement The entity must contemporaneously agree in writing to be bound by the terms of this Agreement You must contemporaneously agree in writing to guarantee the obligations of the entity and to remain personally liable in all respects under this Agreement (You and all other owners will personally and unconditionally guarantee the obligations of the new entity and you will remain personally subject to and bound by all terms, conditions, restrictions and prohibitions contained in this Agreement You as an owner of the entity agree to separately and personally, for you and for your successors, heirs and personal representatives, will act as surety for the full and faithful performance of all of the obligations, commitments and payments required of the entity In that capacity, you agree that we do not have to pursue any remedies we may have against the entity, but rather, may proceed directly and primarily against you with or without joining the entity as principal or as a named party in any proceeding)

You will be in breach of this Agreement if you at any time dispose of any interest sufficient to reduce your ownership in the entity to less than a majority of any class of stock or other evidence of ownership From time to time, at our request, you will provide to us a current list of all your owners, shareholders, members, directors, officers, partners, and employees, with a summary of their respective interests in you

C We may transfer this Agreement If we do, it will be binding upon and inure to the benefit of our successors and assigns Specifically, you agree that we may sell our assets, the Service Marks, or the FAT NI BBQ System outright to a third party, may go public, may engage in a placement of some or all of our securities, may merge, acquire other entities or be acquired by other entities, or may undertake a refinancing, recapitalization, re-organization, leveraged buyout or other economic or financial restructuring As for any or all of these sales, assignments and dispositions, you waive any claims, demands or damages arising from or related to the loss of the Service Marks (or any variation of them) or the loss of association with or identification as part of our franchise system

We will not be required to remain in any particular form of business or to offer to you products, whether or not bearing our Service Marks

D You may offer your securities or partnership interests to the public, by private offering, or otherwise, only with our prior written consent Consent may not be unreasonably withheld All materials required for the offering by federal or state law will be submitted to us for review before filing with any government agency Any materials to be used in any exempt offering will be submitted to us for review prior to their use No offering by you will imply (by use of the Service Marks or otherwise) that we are participating in an underwriting, issuance, or offering of your securities You and all other participants in the offering must fully indemnify us concerning the offering For each proposed offering, you will pay to us the amount necessary to reimburse us for our reasonable costs and expenses associated with reviewing the proposed offering, including, legal and accounting fees You will give us at least **60** days written notice before the effective date of any offering or other transaction covered by this subsection

E You may not grant a sub-franchise or transfer less than all of your rights under this Agreement

F Our consent to a proposed transfer will not be a waiver of any claims we may have against you (or your owners), nor will it be a waiver of our right to demand exact compliance with this Agreement Our consent to a transfer will not constitute or be interpreted as consent for any future or other transfer

G You will comply with and help us to comply with any laws that apply to the transfer, including state and federal laws governing the offer and sale of franchises

7 2 **Your Death or Disability**

A Besides the Step-In Rights described above, the following will apply in case of your death or incapacity if you are an individual, or of any general partner of you if you are a partnership, or of any member or shareholder owning **50%** or more of you if you are a limited liability company or corporation or other entity Within **180** days of the event, the heirs, beneficiaries, devisees or legal representatives of that individual, partner, member or shareholder will

1 Apply to us for the right to continue to operate the Franchise for the duration of the term of this Agreement The right to continue will be granted upon the fulfillment of all of the conditions set forth in Subsection (A) of the section entitled "Sale or Assignment," above (except that no transfer fee will be required) Or,

2 Transfer your interest according to the provisions of that Subsection If a proper and timely application for the right to continue to operate has been made and rejected, the 180 days within which to transfer will be computed from the date of rejection For purposes of this Subsection, on an application for the right to continue to operate, our silence through the **180** days following the event of death or incapacity will be deemed an acceptance made on the last day of the period

3 If a suitable transferee purchaser is not found within **180** days from the date of death or permanent incapacity, we may at our sole option enter into a contract to purchase the Franchise Unless we state in writing that we do not intend to exercise this right, the parties must agree upon a purchase price and terms within twenty business days after notice from us If not, a fair value and fair terms will be determined in McKinney, Texas by three appraisers Each party must select one appraiser The two appraisers chosen must then select a third appraiser Each party will pay for its own appraiser and each party will pay half for the third appraiser The parties may then present evidence of the value of the Franchise and fair terms for the purchase The appraisers may include in their decision a factor for the "goodwill" or "going concern" value of the Franchise The decision of the majority of the appraisers will be conclusive Any time within **30** days after receiving the appraisers' decision, at our option, we may purchase the Franchise and your assets at the price and upon the terms determined by the appraisers Terms of payment will be **10%** of the purchase price payable upon contract signing, the balance payable in **60** equal monthly payments of principal payments with interest calculated at the prime rate, published by your principal bank at time of each monthly principal payment

B If the provisions of this Subsection have not been fulfilled within the time provided, at our option, all rights licensed to you under this Agreement will immediately terminate and revert to us

7 3 **First Right of Purchase** You will give us the right of first purchase before soliciting offers from a third party if you choose to sell your franchise business You agree to notify us in writing if you desire to sell or transfer any interest in you or in your franchised business You will give us sufficient information and documentation to allow us to analyze the status and value of your business We will elect to exercise our option to purchase within **60** business days after our receipt of your written notification and due diligence information If we offer you an amount that you do not agree to, you may try to sell to a third party but on no better terms for the purchaser than we offered to you If you later receive an offer from a third party purchaser on better terms than we offered to you, you are obligated to re-offer to us pursuant to the subsection entitled "First Right of Refusal" You are obligated before any transfer to a third party to comply with all criteria set forth in the subsections entitled "Sale or Assignment" and "First Right of Refusal " If you do not complete a transaction with a third party within six months, you agree we will again have the right of first purchase before any subsequent contemplated transaction

We may elect to purchase all of the franchise business regardless of your intent to sell, assign or transfer a lesser interest We can pay the purchase price in cash up front or by industry-standard monthly payments that amortize the principal amount with interest calculated at prime plus 1% as of the date of purchase The choice of payment type is in our sole discretion

7 4 **First Right of Refusal** If you receive a bona fide offer from a third party acting at arm's length to purchase the Franchise, a majority interest in ownership of you, or substantially all of the assets of the Franchise, which offer is acceptable to you or to your owners, we will have the right to purchase at the bona fide price on the same terms and conditions as offered to you We may substitute cash for any other form of consideration contained in the offer Our credit will be deemed to be equal to the credit of any proposed purchaser At our option, we may pay the entire purchase price at closing Within **6** days after receipt by you of an acceptable bona fide offer, you will notify us in writing of the terms and conditions of the offer You will give us sufficient information and documentation to allow us to analyze the status and value of your business We may exercise this right to purchase within **30** days after receipt of notice from you and due diligence information If the interest which is the subject of the offer involves less than all of the ownership interest, then in our sole option, our right of first refusal will apply to the entire ownership interest In such case, the consideration to be received, as set forth in the offer shall be divided by the percentage interest subject to the offer and the resulting quotient shall be the price to be paid for the entire ownership interest Terms and conditions for the purchase of the entire ownership interest shall be as similar to the terms and conditions set forth in the offer as practicable, except for the substitute provisions noted above in this section

If we do not exercise our right to purchase within the **30** days, you may make the proposed transfer to a third party The transfer will not be at a lower price or on more favorable terms than disclosed to us Any transfer will be subject to our prior written permission described in the section entitled "Sale or Assignment," above If the Franchise is not transferred by you within **6** months from the date it is offered to us, or if any material change is made in the terms of the proposed sale, then you must re-offer to transfer to us before a transfer to a third party

8 INDEMNITY AND INSURANCE

8 1 **Indemnity** You will indemnify and hold us harmless from all fines, suits, proceedings, claims, demands, actions, losses, attorney fees and damages arising out of or connected with the Franchise and the business activities, acts or omissions of you and your employees and agents, including those brought against you and us jointly alleging that you and we were negligent or otherwise liable We will not be liable to you or to any other person because of your act, omission, neglect, or breach If it is established that both you and we were negligent or otherwise liable, you and we will contribute to the relevant award, and the obligation to indemnify and hold harmless shall be determined, based upon the adjudicated and assigned respective degree of fault In the event of a settlement prior to adjudication, you and we will agree to degrees of fault You and we will contribute to the relevant settlement, and the obligation to indemnify and hold harmless shall be determined, based upon the agreed degree of fault All provisions of this Section will be subject to these contribution and allocation of indemnification provisions

You will indemnify us for any loss, cost or expense, including attorneys' fees that may be sustained by us because of the acts or omissions of your vendors or suppliers

This indemnification will include use, condition, equipping, maintenance or operation of the Franchise, including the sale of any products, service or merchandise sold through the Franchise Any loss, claims, costs, expenses, damages and liabilities shall include, without limitation, those arising from latent or other defects in the Franchise, whether or not discoverable by us, and those arising from the death or injury to any person or arising from damage to the property of you or us, and our respective agents or employees, or any third person, firm or legal entity

You will defend us at your own expense in any legal or administrative proceeding subject to this Subsection The defense will be conducted by attorneys we approve Our approval will not be unreasonably withheld You will immediately pay and discharge any liability rendered against us in any proceeding, including any settlement that we approve in writing You will not settle any claim against us without our prior written approval In our sole discretion and upon prior written notice to you, we may settle or defend any claims against us at your expense, including attorney fees that we pay or incur in settling or defending Promptly upon demand, you will reimburse us for any and all legal and other expenses we reasonably incur in investigating, preparing, defending, settling, compromising or paying any settlement or claim, <u>including monies that we pay or incur in settling or defending such proceeding</u>

All references in this Agreement that provide that you will indemnify or defend us or that you will name us under any insurance policy will also mean that our affiliates, directors, officers, and employees will be also and equally indemnified, defended or named

8 2 **<u>Insurance</u>** Upon commencement of franchise operations, and during the term of this Agreement, you will obtain and keep in force by advance payment of premium appropriate fire and extended coverage, vandalism, malicious mischief, general liability and products liability insurance This insurance will be in an amount sufficient to replace your personal property upon loss or damage This insurance will be written by a financially responsible insurance company satisfactory to us in accordance with our standards and specifications in the Operations Manual The insurance will include, at a minimum, the following

A Comprehensive general liability insurance, including completed operations, property damage, contractual liability, independent contractors liability, owned and non-owned and hired automobile coverage, and personal injury coverage with a combined single limit of at least **$1,000,000** per occurrence and **$2,000,000** aggregate including umbrella coverage

B Workers' compensation and employer's liability insurance, and other insurance required by statute or rule of the state in which the franchise is located and operated

The insurance will insure us, you, and our respective subsidiaries, owners, officers, directors, partners, members, employees, servants, and agents against any loss, liability, products liability, personal injury, death or property damage that may accrue due to your operation of the Franchise Your policies of insurance, will contain a separate endorsement naming us as an additional named insured The insurance will not be limited in any way because of any insurance we maintain The insurance will not be subject to cancellation except upon **20** days' written notice to us Certificates of your insurance policies will be kept on deposit with us Maintenance of the required insurance will not diminish your liability to us under the indemnities contained in this Agreement The policy or policies will insure against our vicarious liability for actual and (unless prohibited by applicable law) punitive damages assessed against you

All insurance policies you obtain will contain a blanket waiver of the insurer's rights of subrogation in respect of or against us and our officers, agents, employees and representatives, and will not contain any insured vs insured exclusion clause, but will contain a severability clause providing that each the policy will be treated as though a separate insurance policy had been issued to each named insured

We may require you to increase the minimum limits of and types of coverage to keep pace with regular business practice and prudent insurance custom

If you fail to comply with any of the requirements of this Subsection, we may, but are not obligated to, purchase insurance at your expense to protect our interests This insurance may, but need not, also protect your interest The coverage we obtain might not pay any claim you make or any claim made against you You may later cancel the insurance we obtain by providing evidence that you have obtained proper coverage elsewhere You are responsible for the cost of any insurance purchased by us pursuant to this paragraph This coverage may be considerably more expensive than insurance you can obtain on your own and might not satisfy your needs You will pay us upon demand the premium cost of this insurance with a late payment charge on the unpaid balance at the rate established in this Agreement

You will promptly report all claims or potential claims against you, the Business or us in writing when you become aware of them You will give immediate written notice to us of any claims or potential claims you make to your insurers

We may, at our sole discretion, upon not less than 90 days prior written notice to you, secure a policy of insurance which will provide defined insurance coverage to all or any part of the FAT NI BBQ system This policy may replace or supplement the insurance coverage you are required to maintain You will pay the relevant insurance premium to us or the designated insurance provider, as we direct

Nothing contained in this Agreement will be construed as a representation or warranty by us that the insurance coverage we specify will insure you against all insurable risks or amounts of loss which may or can arise out of or in connection with the operation of your franchise business It is your sole responsibility to ensure that adequate insurance coverage is obtained for your business

Your procurement and maintenance of the insurance specified above will not relieve you of any liability to us under any indemnity requirement of this Agreement

9 NOTICE AND MISCELLANEOUS

9 1 **Notices** All notices required by this Agreement will be in writing They may be sent by certified or registered mail, postage prepaid and return receipt requested They may be delivered by Federal Express, or other reputable air courier service, requesting delivery with receipt on the most expedited basis available Notices will be delivered to you at the Franchise Premises, to us at our headquarters or to other locations specified in writing

Notices may be delivered and receipted to you personally at any location

Notices sent by certified or registered mail will be deemed to have been delivered and received 3 business days following the date of mailing Notices sent by Federal Express, or other reputable air courier service will be deemed to have been received one business day after placement requesting delivery on the most expedited basis available

9 2 **Business Name** You will execute any documents we may from time to time direct, to be retained by us until this Agreement ends, to evidence that you abandon, relinquish, and terminate your right or interest you may claim in or to the Service Marks and the name "FAT NI BBQ "

9 3 **We and You Are Not Joint Venturers, Partners, or Agents** You are and will remain an independent contractor You and we are not and will never be considered joint venturers, partners, employees, or agents one for the other Neither will have the power to bind nor obligate the other except as otherwise outlined in this Agreement No representation will be made by either party to anyone that would create any apparent agency, employment, or partnership Each will hold the other safe and harmless from each other's debts, acts, omissions, liabilities, and representations You acknowledge that you are not in a fiduciary relationship with us

In all public and private records, documents, relationships, and dealings, you will show that you are an independent owner of the Franchise You will prominently indicate on your letterheads and business forms that you are our licensed franchisee by using language saying that you operate an independently owned Franchise You will prominently display, by posting of a sign within public view, on or in the Franchise Premises (if at an office site or commercial location) and on any vehicles that you use, a statement that clearly indicates that your franchise business is independently owned and operated by you as a franchisee and not as our agent

You will maintain employee records to show clearly that you and your employees are not our employees All employees and independent sub-contractors you employ must meet our character, quality and performance standards All state and federal, workers compensation and insurance requirements must be met for all employees and sub-contractors, including requirements we express in the Operations Manual

The liability of you and your owners, shareholders, members or partners will be both joint and several A breach of this Agreement by you or by any shareholder, member or partner will be a breach by all of the shareholders, members or partners and also by you

9 4 **Waiver** A waiver of any breach of any provision, term, covenant, or condition of this Agreement will not be a waiver of any subsequent breach of the same or any other provision, term, covenant, or condition

Any waiver of any provision of this Agreement must be set forth in writing and signed by the party granting the waiver Any waiver we grant will not prejudice any other rights we may have, and will be subject to our continuing review We may revoke any waiver, in our sole discretion, at any time and for any reason, effective upon delivery to you of 10 days prior written notice of revocation Customs or practices of the parties in variance with the terms of this Agreement will not constitute a waiver of our right to demand exact compliance with the terms of this Agreement Our delay, waiver, forbearance, or omission to exercise any power or rights arising out of any breach or default by you of any of the terms, provisions, or covenants of this Agreement, will not affect or impair our rights and will not constitute a waiver by us of any right or of the right to declare any subsequent breach or default Our subsequent acceptance of any payment due to us will not be deemed to be a waiver by us of any preceding breach by you of any terms, covenants or conditions of this Agreement

By written notice, we unilaterally may waive any obligation of you, your owners, or the Guarantors

Our consent, whenever required, may be arbitrarily withheld if you are in breach of this Agreement

9 5 **Time Is of the Essence** Time and strict performance are of the essence of this Agreement ("Time is of the essence" is a legal term that emphasizes the strictness of time limits In this Agreement, it means it will be a material breach of this Agreement to fail to perform any obligation within the time required or permitted by this Agreement)

9 6 **Documents** You and your partners, shareholders, members, officers, and owners agree to execute and deliver any documents that may be necessary or appropriate during the term and upon expiration or termination of this Agreement to carry out the purposes and intent of this Agreement Upon the expiration, termination or transfer of this Agreement, if you do not execute any document necessary in our judgment to comply with the requirements of this Agreement, then by this Agreement, you irrevocably nominate, constitute and appoint the person then serving as our President as your attorney-in-fact to so execute that document in your name and on your behalf

Any material violation or breach of any of these documents or of any other Franchise or related agreement between the parties will be a material violation of this Agreement and of all the other documents and agreements The non-breaching party may enforce or terminate this Agreement and any or all of the other documents and agreements as provided for enforcement or termination of this Agreement

If you are a partnership, all general partners will sign the documents If you are a corporation or limited liability company or other entity, all shareholders or members and all officers will personally guarantee your faithful performance

You will assure that each of your owners, shareholders, general partners, members, directors, officers, managers, employees, consultants, distributors and agents will not compete with us, will not attempt to divert customers to competing businesses, will not induce the employees of us or of our franchisees to leave their employment, and will keep, preserve, and protect confidential information as required by this Agreement

9 7 **Construction**

A Entire Agreement This document, including any exhibits attached to this Agreement and the documents referred to in this Agreement, will be construed together and constitute the entire agreement between the parties It supersedes all prior or contemporaneous agreements or understandings, whether written or oral, with respect to the subject matter of this Agreement There are no other oral or implied understandings between the parties with respect to the subject matter of this Agreement Except as expressly and otherwise provided in this Agreement, this Agreement may not be modified, nor may any rights be waived or abridged, orally or by course of dealing, but only by a written instrument signed by the parties The words "this Agreement" include any future modifications unless otherwise suggested by the context No salesperson, representative, or other person has the authority to bind or obligate us in any way, except our president or a vice president at our home office by an instrument in writing

No previous communications, negotiations, course of dealing or usage in the trade not specifically set forth in this Agreement will be admissible to explain, modify, or contradict this Agreement The parties intend to confer no benefit or right on any person or entity not a party to this Agreement and no third party will have the right to claim the benefit of any provision of this Agreement as a third party beneficiary of that provision

Nothing in this Agreement or any related agreement is intended to disclaim the representations we made to you in our franchise disclosure document

B Format All words in this Agreement include any number or gender as the context or sense of this Agreement requires The words "will" and "must" used in this Agreement indicate a mandatory obligation This Agreement has been prepared in the "you/we" format to simplify it and to facilitate our compliance with state and federal franchise disclosure laws The rule of construction that a written agreement is construed against the party preparing or drafting such agreement will specifically not be applicable to the interpretation of this Agreement

C Captions and Headings All captions and headings are for reference purposes only and are not part of this Agreement The recitals set forth in this Agreement are specifically incorporated into and constitute a part of the terms of this Agreement If there is any typographical, word processing, printing or copying error in this Agreement, the error will be interpreted and corrected consistent with the following order of interpretation

1 The content and expressed intent and exhibits of our Franchise Disclosure Document(s) previously delivered to you

2 The content and expressed intent of franchise agreements we have executed with our other franchises reasonably contemporaneous to this Agreement

D Severability If, any part of this Agreement is declared invalid, that declaration will not affect the validity of the remaining portion which will remain in full force and effect as if this Agreement had been executed with the invalid portion omitted The parties declare their intention that they would have executed the remaining portion of this Agreement without including any part, parts, or portions which may be declared invalid in the future Provided, however, that if we determine that the finding of invalidity materially and adversely affects the basic consideration of this Agreement, we may, at our option, terminate this Agreement

E Implied Covenants If applicable law implies a covenant of good faith and fair dealing in this Agreement, the parties agree that covenant will not imply any rights or obligations that are inconsistent with a fair construction of the terms of this Agreement If applicable law implies such a covenant, the parties acknowledge and agree that

1 This Agreement (and the relationship of the parties which is inherent from this Agreement) grants us the discretion to make decisions, take actions or refrain from taking actions not inconsistent with our explicit rights and obligations under this Agreement that may favorably or adversely affect your interests,

2 We will use our business judgment in exercising our discretion based on our assessment of our own interests and balancing those interests against the interests of the owners of other FAT NI BBQ businesses generally (including us, our franchisees and parties related to us) and specifically without considering the individual interests of you or any other particular franchisee,

3 We will have no liability to you for the exercise of our discretion in this manner, so long as our discretion is not exercised in bad faith toward you, and

4 In the absence of bad faith, no trier of fact in any judicial or arbitration proceeding will substitute its judgment for the business judgment we exercise

F Joint and Several If, at any time during the term of this Agreement, you consist of two or more persons or entities (whether acting in partnership or otherwise and whether or not all have signed this Agreement), the rights, privileges and benefits granted to you in this Agreement may only be exercised and enjoyed jointly, and your obligations, liabilities and responsibilities under this Agreement will be joint and several obligations of each such person and entity

9 8 **Enforcement** From time to time there may be controversy about this Agreement, its interpretation, or performance or breach by the parties

A Mediation and Arbitration If a dispute arises between the parties, prior to taking any other legal action, the parties agree to participate in at least **8** hours of mediation in accordance with the Mediation Procedures of the US Arbitration & Mediation Service or of any similar organization that specializes in the mediation of commercial business disputes The Parties agree to equally share the costs of mediation

From time to time there may be controversy, dispute, question or claim arising out of, in connection with or relating to this Agreement and its execution, delivery, existence, interpretation, construction, legality, validity, binding effect, enforceability, discharge, performance, non-performance or breach by the parties This may include a claim that this Agreement, or any portion of it, is indefinite, invalid, illegal, or otherwise void, voidable or unenforceable The controversy (unless related to trademark infringement or collection of delinquent payments) will be resolved by arbitration before an arbitrator selected by and mutually agreed upon by the parties under the process and rules of the American Arbitration Association or its successor Regardless of the Commercial Dispute process and the rules of the American Arbitration Association or its successor, there will be no arbitration on a class or consolidated basis The arbitrator will have power and jurisdiction to decide the controversy or dispute solely according to the express provisions of this Agreement The arbitrator may not alter, amend, delete, or add to the provisions of this Agreement by implication or otherwise In any arbitration the parties will be entitled to injunctive relief or specific performance of the obligations of the other The arbitrator will determine the prevailing party for purposes of this Section and may make a percentage award of reimbursable fees and expenses The decision of the arbitrator made within its power or jurisdiction will be final and binding The decision may be entered as a judgment in any court of law having jurisdiction

The provisions of this Section will be construed as independent of any other covenant or provision of this Agreement, provided that if a court of competent jurisdiction determines that any the provisions are unlawful in any way, the court will modify or interpret the provisions to the minimum extent necessary to have them comply with the law Notwithstanding any provision of this Agreement relating to the laws under which this Agreement will be governed by and construed under, all issues relating to its appropriateness for arbitration or the enforcement of the agreement to arbitrate contained in this Agreement will be governed by the Federal Arbitration Act (9 U S C §_1 et seq) and the federal common law of arbitration The provisions of this Section will not limit our right to seek and obtain any provisional or final remedy, including, but without limitation, injunctive relief, an order for payment of any monies due and owing by you, an order for recovery or delivery up of possession, or for specific performance, or similar relief, from any court of competent jurisdiction, as may be necessary in our sole judgment to protect the Service Marks and the FAT NI BBQ System and our confidential information and property rights, to enforce the restrictive covenants of this Agreement, to enforce our contractual rights, and to protect against actual or threatened conduct that on balance would cause or be likely to cause loss or damage if allowed to continue pending completion of an arbitration proceeding

This arbitration provision is self-executing, and in the event that any party fails without good cause (i) to appear at any properly noticed arbitration proceeding or (ii) to make payment in full of its share of the required arbitration fees and costs within 10 days after notice and demand, absent a previously issued court order to the contrary, then a final award may be entered against such party notwithstanding the failure to appear or to make the required payment

B Injunctive Relief and Specific Performance Either party may obtain in any court of competent jurisdiction specific performance and injunctive relief to restrain a violation by the other party of any term or covenant of this Agreement Nothing contained in this Agreement will bar us or you to obtain specific performance of the provisions of this Agreement and injunctive relief against threatened conduct that will cause you or us loss or damages under customary equity rules, including applicable rules for obtaining restraining orders and preliminary injunctions

C Governing Law and Venue You acknowledge that we have appointed and intend to appoint many franchisees on terms and conditions similar to those set forth in this Agreement It mutually benefits those franchisees, you and us if the terms and conditions of these license agreements are uniformly interpreted This Agreement is accepted by us in the State of Texas and will be governed by the substantive laws of Texas without regard to Texas choice of law provisions Provided, however, that any law of the State of Texas that regulates the sale of franchises or business opportunities or governs the relationship of a franchisor and its franchisee will not apply unless its jurisdictional requirements are met independently without reference to this Section Texas laws will prevail, except to the extent governed by the United States Trademark Act of 1946 (Lanham Act, 15 U S C Sections 1051, et seq) and except in those states whose franchise laws require exclusive application of those laws This choice of laws will not include and does not extend the scope of application of any Texas franchise or business opportunity laws except as they may otherwise apply pursuant to their terms and definitions No franchise or business opportunity, antitrust, "implied covenant," unfair competition, fiduciary or any other doctrine of law statute, law or regulation of Texas or any other state is intended to be made applicable to this Agreement unless it would otherwise apply absent this paragraph The foregoing will not be construed as a waiver of any of your rights under any applicable franchise registration, disclosure or relationship law of another territory, state or commonwealth Any portion of this Agreement that requires enforcement in any other state, and is enforceable under the laws of that state but not of Texas, will be construed and enforced according to the laws of that state All issues or disagreements relating to this Agreement will be mediated, arbitrated, tried, heard, and decided in McKinney, Texas or as near as reasonably can be attained thereto, which you agree is the most convenient venue for these purposes You acknowledge and agree that this location for venue is reasonable and the most beneficial to the needs of and best meets the interest of, all of the members of the FAT NI BBQ franchise system

D Remedies You recognize the unique value and secondary meaning attached to the FAT NI BBQ System, the Service Marks and our standards of operation and trade practices You agree that any noncompliance with the terms of this Agreement or any unauthorized or improper use of the FAT NI BBQ System or the Service Marks will cause irreparable damage to us and our franchisees You agree that if you engage in any unauthorized or improper use, during or after the period of this Agreement, we will be entitled to both permanent and temporary injunctive relief from any court of competent jurisdiction in addition to any other remedies prescribed by laws

No right or remedy conferred upon us is exclusive of any other right or remedy in this Agreement or provided by law or equity Each will be cumulative of every other right or remedy

We may employ legal counsel or incur other expense to collect or enforce your obligations or to defend against any claim, demand, action or proceeding because of your failure to perform your obligations Legal action may be filed by or against us and that action or the settlement of it may establish your breach of this Agreement If either event occurs, we may recover from you the amount of our reasonable attorney fees and all other expenses we incur in collecting or enforcing that obligation or in defending against that claim, demand, action or proceeding

You agree that the existence of any claims you may have will not constitute a defense to the enforcement by us of any of the confidentiality requirements and covenants not to compete described in this Agreement You acknowledge that any violation of the confidentiality requirements and covenants not to compete would result in irreparable injury to us for which no adequate remedy at law may be available and you accordingly consent to the issuance of an injunction prohibiting any conduct by you in violation of the terms of the covenants not to compete

You agree that each of the confidentiality requirements and covenants not to compete described in this Agreement will be constructed as independent of any other covenant or provision If all, parts or any portion of any covenant in this Agreement is held unreasonable or unenforceable by a court or agency having valid jurisdiction in an unappealed final decision to which we are a party, you expressly agree to be bound by any lesser covenant subsumed within the terms of that covenant that imposes the maximum duty permitted by law, as if the resulting covenant were separately stated in this Agreement Each of the covenants described in this Agreement is a separate and independent covenant in each of the separate counties and states in the United States in which we transact business To the extent that any covenant may be determined to be judicially unenforceable in any county or state, that covenant will not be affected with respect to any other county or state You understand and acknowledge that we will have the right, in our sole discretion, to reduce the scope of any of covenants, confidentiality requirements or covenants not to compete set forth in this Agreement that apply to you or to any other of our franchisees We may do so without your consent, effective immediately upon your receipt of written notice You agree that you will comply with any covenant that pertains to you as we so modify it

You acknowledge we will suffer immediate and irreparable harm that will not be compensable by damages alone if you repudiate or breach any of the provisions of any part of this Agreement that relates to the confidentiality or protection of confidential information and trade secrets or your covenants to not compete against us or our franchise system or your threats or attempts to do so For this reason, under those circumstances, we, in addition to and without limitation of any other rights, remedies or damages available to us at law or in equity, will be entitled to obtain temporary, preliminary and permanent injunctions in order to prevent or restrain the breach, and we will not be required to post a bond as a condition for the granting of this relief You also agree that a violation of any of our your confidentiality or non-competition covenants will entitle us, in addition to all other remedies available at law or equity, to recover from you any and all funds, including, without limitation, wages, salary, and profits, which will be held by you in constructive trust for us, received by you in connection with such violation

You specifically acknowledge the receipt of adequate consideration for the confidentiality and non-competition covenants contained in this Agreement and that we are entitled to require you to comply with these covenants Those covenants will survive termination or expiration of this Agreement You represent that if this Agreement expires or is terminated, whether voluntarily or involuntarily, you have experience and capabilities sufficient to enable you to find employment or otherwise earn a livelihood in areas which do not violate this Agreement and that our enforcement of a remedy by way of injunction will not prevent you from earning a livelihood

E Attorneys Fees The prevailing party in any arbitration, insolvency proceeding, bankruptcy proceeding, suit, or action to enforce this Agreement will recover its arbitration, proceeding, and court costs and reasonable attorney fees and previously incurred mediator fees These will be set by the arbitration, proceeding or court, including costs and attorney fees on appeal or review from the arbitration, proceeding, suit, or action "Prevailing party" means the party who recovers the greater relief in the proceeding

9 9 **Other Agreements** If you or any of your shareholders, partners, or officers violate any material provision of any other franchise or similar agreement with us, that breach will be considered a breach of this Agreement and of the other agreements We then may terminate or otherwise enforce this Agreement and the other agreements

Whenever this Agreement requires that you enter into a release, such as for a transfer or renewal, the release will be in substantially the following form

> You (and your owners, members, partners, officers, and directors) agree to the following general release, subject to and following laws applicable in your jurisdiction, to release us from any claims you may have against us
>
> In consideration of the mutual covenants and understandings set forth in this release agreement, you release and discharge us and our current and former owners, partners, directors, officers, employees and agents from all obligations, duties, covenants and responsibilities to be performed under the franchise agreement with us related to the franchise and the franchise premises ("your Prior Franchise Agreement")
>
> You release and forever discharge us and our current and former owners, partners, directors, officers, members, employees and agents from any and all claims, demands, actions or causes of action of every name, nature, kind and description whatsoever, whether in tort, in contract or under statute, arising directly or indirectly out of the negotiation of, execution of, performance of, nonperformance, or breach of your Prior Franchise Agreement and any related agreements between you and us and out of any other action or relationship between you and us arising prior to the date of the release agreement
>
> You represent that this release has been read and that it is fully understood and voluntarily accepted The purpose of this release is to make a full, final and complete settlement of all claims against us, known or unknown, arising directly or indirectly out of your Prior Franchise Agreement and the relationship between you and us prior to the date of the transfer [renewal] agreement including, but not limited to, economic loss
>
> It is expressly understood and agreed that this release is intended to cover and does cover not only all known losses and damages but any further losses and damages not now known or anticipated but which may later develop or be discovered, which arise under your Prior Franchise Agreement prior to the date of the transfer [renewal] agreement, including all effects and consequences
>
> These releases are intended to waive, release and discharge all claims against us, other than these expressly reserved, with the express waiver of any statute, legal doctrine or other similar limitation upon the effect of general releases In particular, the parties waive the benefit of any applicable statutory provision such as by illustration, California Civil Code Section 1542, which states
>
> A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM MUST HAVE MATERIALLY AFFECTED HIS SETTLEMENT WITH THE DEBTOR
>
> You will waive the benefit of both statute and any other legal doctrine or principle of similar effect in any jurisdiction

9 10 **Agreement Binding on Successors and Assigns** This Agreement benefits and binds the respective heirs, executors, administrators, successors, and assigns of the parties

9 11 **Execution in Counterparts and Our Acceptance** This Agreement will be binding upon you at the time you sign it and deliver it to us This Agreement will not be binding upon us until we accept it in writing by one of our principal officers at our home office If we do not accept it within **60** days, this Agreement will no longer be binding upon you This Agreement may be executed in any number of counterparts, each of which, when so executed and delivered, will constitute an original Delivery of executed

signature pages of this Agreement by facsimile transmission will constitute effective and binding execution and delivery of this Agreement

9 12 **Approval by Shareholders, Members or Partners** If you are a corporation, limited liability company, partnership or other entity, we will not be bound until your shareholders, members or partners read and approve this Agreement, agree to the restrictions on them (including restrictions on the transfer of their interest in the Franchise and the restrictions and limitations on their ability to compete with us), and jointly and severally guarantee your performance under this Agreement We may request a copy of the Resolution approved by your partners, members, shareholders, owners or directors as confirmation of your fulfillment of this requirement and authorizing your execution of this Agreement

Your ownership certificates will have conspicuously endorsed upon them a statement that they are subject to, and that further assignment or transfer of them is subject to, the restrictions imposed upon assignments by this Agreement

If You are an entity with more than one owner, the partnership agreement, shareholders agreement, limited liability operating agreement or other similar agreement for the entity ("Owners Agreement") must contain the following provisions which will supersede any contrary provisions in that agreement

1 Your owners ("Owners") agree to submit any dispute they cannot resolve relating to the operation and management of the franchise business to arbitration by our president or his designee If the arbitration submission is accepted by our president, it must be held at our headquarters or at another location the Owners and the arbitrator agree The decision of the arbitrator will be final and subject to enforcement by the courts of competent jurisdiction If the submission to arbitration is not accepted by our president, the Owners must resolve their disputes in accordance with the other provisions of this Franchise Agreement

2 The term "operations and management" includes, but is not limited to, questions relating to

A Allocations of management responsibilities between the Owners,
B Contributions to capital for purposes of business operations, repairs and remodeling,
C The reasonable salaries of the Owners,
D Marketing efforts,
E The termination of the employment of an Owner
F Procedures for making and implementing management decisions,
G Whether on Owner has performed duties with respect to the operation or management of the franchise business

3 Unless the Owners and the arbitrator agree in writing otherwise, "operation and management" does not include questions relating to

A Allocations computations or distributions of profit or loss
B Accounting issues,
C Elections of officers of the entity,
D Investments of cash not necessary for the operation of the business,
E Determining whether an Owner is disabled or incompetent within the meaning of the Owners Agreement,
F The fair market value of the Owners' interests in the entity,
G Whether an event has occurred, which gives rise to a right to buy the interest of an Owner other than a right resulting from an Owner's default determined to exist under 2, above,
H Whether an Owner has met his obligations to purchase the interest of any current or former Owner,
I Matters relating to the winding up of the entity after a dissolution,

J Matters relating to the legal validity of the Owners Agreement

4 The Owner's agreement must provide that the Owner or Owners who are to be responsible for operation of the franchise business must own 50% or more of the capital interests in the entity and that the Owners of the entity must have voting rights proportionate to their interests in capital

5 The Owners agree to notify us in writing of their intent to enter into, modify or amend any Owners Agreement Notice must be given at least 10 business days before they enter into that agreement, modification or amendment The purpose of this notice is to enable us to review it for compliance with this section

6 Inclusion of these provisions in the Owner's Agreement will be a condition to our consent to the transfer of the franchise to an entity

9 13 **Personal Guarantee** The undersigned Guarantors are all of your partners, members, shareholders or owners They jointly, severally, irrevocably, and unconditionally guarantee to us the due and punctual observance and performance by you of all of your obligations under this Agreement and any other agreement to which we and you are parties Each Guarantor agrees to guarantee us against all liability, loss, harm, damage, costs, and expenses (including attorney fees) that we may incur because of your failure to observe your obligations The liabilities and obligations of each Guarantor will not be released, discharged, or affected by our release or discharge of or dealing with you under any of these agreements, or by anything we do, suffer, or allow to be done in relation to you, or by change, alteration, or modification of any of the agreements, or by any compromise, arrangement, or plan of reorganization affecting you, or by your bankruptcy or insolvency, or by any other act or proceeding in relation to you or any of the agreements by which any Guarantor might otherwise be released The liabilities and obligations of each Guarantor pursuant to this Guarantee will be continuing in nature and will terminate only on the satisfaction of your obligations under this Agreement A fresh cause of action will arise in respect of each breach by you producing a liability of any Guarantor

The Guarantors agree that it shall not be necessary for us or our assigns to institute suit or exhaust our legal remedies against you in order to enforce this guaranty Guarantors agree that we may from time to time extend the time for performance or otherwise modify, alter, or change this Agreement, may extend the time for payment of all sums guaranteed, and may receive and accept notes, checks, and other instruments for the payment of money made by you and extensions or renewals without in any way releasing or discharging Guarantors from their obligations This guaranty shall not be released, extinguished, modified, or in any way affected by our failure to enforce all the rights or remedies available to it under this Agreement Our release of one or more Guarantor will not operate as a release of the other Guarantors

9 14 **Representations and Acknowledgements**

A **Receipt of Disclosure Documents** You acknowledge that you have received our Franchise Disclosure Document at the earlier of (1) the first personal meeting with us (in New York and Rhode Island), or (2) 14 calendar days before signing any franchise or related agreement or making any payment with the franchisor or an affiliate in connection with the franchise sale (10 business days in California, Michigan, New York, Oregon, Rhode Island, Washington and Wisconsin) In addition, you acknowledge either

1 receipt of this Agreement containing all substantive terms at the time of delivery of the Franchise Disclosure Document, or

2 if we unilaterally or materially altered the terms and conditions of our standard franchise agreement or any related agreements attached to the Franchise Disclosure Document, you acknowledge that you received a complete and final copy of this Agreement and its exhibits not less than **7** calendar days before you signed this Agreement

B **You Have Read and Understand this Agreement** You acknowledge that you have had ample to read and have read this Agreement and our Franchise Disclosure Document You understand and accept the terms, conditions and covenants contained in this Agreement They are necessary to maintain our high standards of quality, service and uniformity at all franchises They protect and preserve the goodwill of the Service Marks and the confidentiality and value of the FAT NI BBQ System You have received advice from advisors of your own choosing regarding all pertinent aspects of this Franchise and the franchise relationship created by this Agreement You also acknowledge that you believe you have made a good decision for yourself or your partners or your corporation based upon what you believe is your ability to run and control a business of your own

C **Varying Forms of Agreement** You are aware that some present and future **FAT NI BBQ** franchisees may operate under different forms of agreement and, consequently, that our obligations and rights in respect to our various present and future franchisees may differ materially in certain circumstances

D **Speculative Success** The success of your franchise is speculative and depends, to a large extent, upon your ability as an independent businessperson You recognize that the business venture contemplated by this Agreement involves business risks We do not make any representation or warranty, express or implied, as to the potential success of the Franchise

E **Independent Investigation, No Projections or Representations** You acknowledge that you have entered this Agreement after conducting an independent investigation of us and of the Franchise Your success will be dependent upon your ability as an independent businessperson You have not relied upon any representation as to gross revenues, volume, cost savings, potential earnings or profits which you in particular might realize Except as outlined in Item 19 of our Franchise Disclosure Document, we expressly disclaim the making of, and you acknowledge that you have not received, any representation, warranty, or guarantee, express or implied, concerning the potential revenues, cost savings, volume, profits, or success of the business venture contemplated by this Agreement You acknowledge that neither we, nor any of our officers, directors, shareholders, employees, agents or servants, made any other representation about the business contemplated by this Agreement or that are not expressly set forth in this Agreement or our Franchise Disclosure Document to induce you to accept this Franchise and execute this Agreement Any oral representations made by our representatives to you, whether or not set forth in earlier versions of our standard form franchise agreement, have either been ratified by us by including the representations in this document or have been disavowed by excluding them from this Agreement

F **No Review of Business Plans, Loan Applications** Prior to your execution of this Agreement, we have not given you any advice or review of any of your business plans or third party loan applications related to your purchase of and proposed operation of the franchise We do not receive or review business plans and loan applications before a franchisee signs the relevant franchise agreement We have strongly recommended that you retain and work with your own independent accountant and financial advisors to fully review all financial aspects of your potential franchise investment for you You acknowledge that we will not provide financial assistance to you and that we have made no representation that we will buy back from you any products, supplies, or equipment you purchase in connection with your franchise

G **Your Location and Market Area** You acknowledge that we will not provide or designate locations for you You have investigated the potential of the market area in which you are to establish and operate your franchise business and the laws and regulations applicable thereto You agree and represent that that market area is reasonable and the Initial Franchise Fee represents fair consideration for the opportunity to establish and operate a FAT NI BBQ franchise

H **Health and Full-Time Participation** You acknowledge that a FAT NI BBQ business involves hard work and sometimes long hours, similar to most small businesses that are owner operated We have not represented that this business is going to be easy for you, your partners, officers or directors You or your majority owner if you are a corporation, limited liability company or partnership, must actively participate in the daily affairs of the business You represent that you or your majority owner are in good health and able to devote your full time and best efforts in the day to day operations of your franchised business or that you have the business management skills necessary to successfully hire a general manager to run the day to day operations of your franchised business

I **Terrorism, Convictions, Immigration Status** Neither you, nor your spouse, nor your children, nor your parents, nor anyone who has an interest in or who will manage the franchise, nor any of your partners or affiliates

1 supports terrorism,

2 provides money or financial services to terrorists,

3 receives money or financial services from terrorists or institutions that support terrorists

4 is engaged in terrorism, or

5 is on the current U S government lists of persons and organizations that support terrorism as provided for by law, such as the list of "Specially Designated Nationals" and "Blocked Persons" under the "USA Patriot Act" 18 USC Section 1900 et seq

Neither you nor any of these persons has engaged in or been convicted of fraud, corruption, bribery, money laundering, narcotics trafficking or other crimes, and each is eligible under applicable U S immigration laws to communicate with and travel to the United States to fulfill your obligations under your agreements with us

J **We May Investigate** We may conduct investigations and make inquiries of any person or persons we, in our reasonable judgment, believe appropriate concerning the credit standing, character, and professional and personal qualifications of you and your owners, shareholders, members and partners You authorize us to conduct these investigations and to make these inquiries We agree to comply with the requirements of laws that apply to these investigations and inquiries

K **Supplier Approval** You acknowledge that while you may propose alternate suppliers for products and services, the proposed suppliers may not qualify You further acknowledge that our approved suppliers may be the only source of supply for products and services required in the Franchise

L **Operations Manual** You acknowledge that the Operations Manual is loaned to you by us and at all times the Operations Manual and any updated or amended pages remain our property and that the copyright in the Operations Manual and all associated materials is vested in us You agree to return to us the Operations Manual and any updated or amended pages immediately upon written demand

M **NO REPRESENTATIONS, PROJECTIONS, OR WARRANTIES** WE HAVE NOT MADE ANY REPRESENTATIONS, PROMISES, GUARANTEES, PROJECTIONS, OR WARRANTIES OF ANY KIND TO YOU, YOUR OWNERS, OR THE GUARANTORS TO INDUCE THE EXECUTION OF THIS AGREEMENT OR CONCERNING THIS AGREEMENT EXCEPT AS SPECIFICALLY SET FORTH IN WRITING IN THIS AGREEMENT AND IN OUR FRANCHISE DISCLOSURE DOCUMENT THAT WE DELIVERED TO YOU YOU ACKNOWLEDGE THAT NEITHER WE NOR ANY OTHER PARTY HAS GUARANTEED YOUR SUCCESS IN THE BUSINESS CONTEMPLATED BY THIS AGREEMENT

10 SIGNATURES

IN WITNESS, the parties have executed this Agreement on the day and year first above written

("we/us") **PengQiao LLC**

By ______________________

Title ______________________

(jointly and severally "you")

By ______________________

Title ______________________

By ______________________

Title ______________________

FRANCHISE AGREEMENT
EXHIBIT A
FRANCHISE TERRITORY

Exhibit B

FRANCHISE DISCLOSURE DOCUMENT AND FRANCHISE AGREEMENT STATE LAW ADDENDUM

The following modifications and additions are part of the FAT NI BBQ Franchise Disclosure Document ("FDD") and Franchise Agreement ("FA") as required by relevant state laws

These states have statutes which may supersede the Franchise Agreement in your relationship with us including the areas of termination and renewal of the Franchise

ARKANSAS (Stat Section 70-807)
CALIFORNIA (Bus & Prof Code Sections 20000-20043)
CONNECTICUT (Gen Stat Section 42-133e et seq)
DELAWARE (Code, tit)
HAWAII (Rev Stat Section 482-E1)
ILLINOIS (815 ILCS 705/1-44)
INDIANA (Stat Section 23-2-2 7)
MICHIGAN (Stat Section 19 854(27))
MINNESOTA (Stat Section 80C 14)
MISSISSIPPI (Code Section 75-24-51)
MISSOURI (Stat Section 407 400)
NEBRASKA (Rev Stat Section 8-401)
NEW JERSEY (Stat Section 56 10-1)
SOUTH DAKOTA (Codified Laws Section 37-5A-51)
VIRGINIA (Code 13 1-557-574, 13 1-564)
WASHINGTON (Code Section 19 100 180)
WISCONSIN (Stat section 135 03)

These and other states may have court decisions which may supersede the Franchise Agreement in your relationship with us, including the areas of termination and renewal of the Franchise

California

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

Our website address is under construction and is anticipated to be found at www fatni-bbq 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 www.dbo.ca.gov.**

Please note that you must comply with the requirements set forth in the Alcoholic Beverage Control Act and the California Code of Regulations for the sale of alcoholic beverages, if any, at your franchise.

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

FDD COVER PAGE

REGISTRATION DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION, OR ENDORSEMENT BY THE COMMISSIONER

FDD Item 17, FA Sections 5, 6, 7 and 9

(12) California Business and Professions Code Sections 20000 through 20043 provide rights to the franchisee concerning termination or non-renewal of a franchise If the Franchise Agreement contains a provision that is inconsistent with the law, the law will control

(13) 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)

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

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

(5) You must sign a general release if you renew or transfer your franchise California Corporations Code Section 31512 voids a waiver of your rights under the Franchise Investment Law (California Corporations Code Sections 31000 through 31516) Business and Professions Code Section 20010 voids a waiver of your rights under the Franchise Relations Act (Business and Professions Code Sections 20000 through 20043)

(6) The Franchise Agreement requires mediation in McKinney, Texas, with the costs shared by the parties equally, and requires binding arbitration in McKinney, Texas with the costs being borne by the party that does not prevail Prospective franchisees are encouraged to consult private legal counsel to determine the applicability of California and federal laws (such as Business and Professions Code Section 20040 5, Code of Civil Procedure Section 1281, and the Federal Arbitration Act) to any provisions of a franchise agreement restricting venue to a forum outside the State of California

(7) The Franchise Agreement requires application of the laws of the State of Texas This provision may not be enforceable under California law

(8) Section 31125 of the California Corporations Code requires us to give you a disclosure document, in a form and containing such information as the Commissioner may by rule or order require, before a solicitation of a proposed material modification of an existing franchise

(9) No person or franchise broker identified in Item 2 is subject to any currently effective order of any national securities association or national securities exchange

(10) Beginning in the 7th month after you open for business, you will pay us a minimum monthly licensing fee of $1,000 even if your business does not generate any income

(11) Our principal trademark has not yet received federal registration Therefore, our trademark does not yet have as many legal benefits and rights as a federally registered trademark If our right to use the trademark is challenged, you may have to change to an alternative trademark, which may increase your expenses

FDD Item 3

California 10 CCR Section 310 114 1(c)(3) requires disclosure regarding whether the franchisor, any person or franchise broker in Item 2 of the FDD 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 such persons from membership in that association or exchange

FDD Item 6

Note 4 Note that the highest interest rate permitted by law in California is 10% per annum

Georgia

DISCLOSURES REQUIRED BY GEORGIA LAW

The State of Georgia has not reviewed and does not approve, recommend, endorse, or sponsor any business opportunity The information contained in this disclosure has not been verified by the state If you have any questions about this investment, see an attorney before you sign a contract or agreement

Hawaii

Paragraph 4110 01, Section 482E-6(3) Upon termination or refusal to renew the franchise the franchisee will be compensated for the fair market value, at the time of the termination or expiration of the franchise, of the franchisee's inventory, supplies, equipment and furnishings purchased from the franchisor or a supplier designated by the franchisor, provided that personalized materials which have no value to the franchisor need not be compensated for If the franchisor refuses to renew a franchise for the purpose of converting the franchisee's business to one owned and operated by the franchisor, the franchisor, in addition to their remedies provided in this paragraph, will compensate the franchisee for the loss of goodwill The franchisor may deduct from such compensation reasonable costs incurred in removing, transporting and disposing of the franchisee's inventory, supplies, equipment, and furnishings pursuant to this requirement, and may offset from such compensation any moneys due the franchisor

Idaho

FDD Item 17, FA Section 9

Any condition in a franchise agreement executed by a resident of Idaho or a business entity organized under the laws of Idaho is void to the extent it purports to waive venue or jurisdiction of the Idaho court system Venue and jurisdiction will be in Idaho if the franchisee is an Idaho resident or a business entity organized under the laws of Idaho

Illinois

FDD Items 5 and 6, FA Sections 2.1, 2.2, 2.3, and 2.4

The Illinois Franchise Disclosure Act prohibits discrimination among franchisees for payments made for Initial Franchise Fees, Licensing Fees, and the purchase of goods or services from the franchisor

FDD Item 17, FA Sections 6.1, 6.3, and 7.1(A)(9)

A franchisee's rights upon termination and non-renewal may be affected by Illinois law (815 ILCS 705/1-44)

Releases executed by franchisees must comply with the Illinois Franchise Disclosure Act Any attempt to waive compliance with Illinois law is void (See Section 41 of the Illinois Franchise Disclosure Act, and Rule 200 609 of the Rules and Regulations)

The governing law and choice of law clauses contained in the Franchise Agreement are subject to the Illinois Franchise Disclosure Act

Any provision in the Franchise Agreement and any ancillary Agreement which designates jurisdiction or venue in a forum outside of Illinois is void with respect to any cause of action which otherwise is enforceable in Illinois, provided that a Franchise Agreement may provide for arbitration in a forum outside of Illinois (See Section 4 of the Illinois Franchise Disclosure Act, and Rule 200 608 of the Rules and Regulations)

Illinois law governs the agreements between parties to this franchise

Section 4 of the Illinois Franchise Disclosure Act provides that any provision in a franchise agreement that designates jurisdiction or venue outside the State of Illinois is void However, a franchise agreement may provide for arbitration in a venue outside of Illinois

Section 41 of the Illinois Franchise Disclosure Act provides that any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with the Illinois Franchise Disclosure Act, or any other law of Illinois is void

Franchisor and/or its officers and affiliates have been the subject of franchise registration violations in 3 states, bankruptcy, and are part to pending litigation with the minority shareholder in connection with the acquisition of the majority interest in the company

Indiana

FDD Item 17, FA Section 5 and 6

In Indiana, the reference to "members of their households or members of their immediate families" under the provisions of covenants not to compete will mean any person who has access to the information, including a spouse or any other person who lives within the household

Maryland

FDD Item 17 and FA Sections 6, 7 and 9

According to COMAR 02 02 08 16L, the general release required as a condition of renewal, sale, assignment or transfer of the franchise will not apply to any liability under the Maryland Franchise Registration and Disclosure Law

Any provision that provides for termination upon bankruptcy of the franchisee may not be enforceable under federal bankruptcy law (11 U S C Section 101 et seq)

Section 14-216(c) (25) of the Maryland Franchise Registration and Disclosure Act requires a franchisor to file an irrevocable consent to be sued in Maryland Notwithstanding anything to the contrary in the franchise agreement or Disclosure Document, you may bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Act

Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within 3 years after the grant of the franchises

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 Our franchise agreement contains disclaimers of the occurrence or acknowledgment of the non-occurrence of acts that could constitute a violation of Maryland laws These disclaimers, acknowledgments and representations are not intended to nor shall they act as a release, estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law

Michigan

The State of Michigan prohibits certain unfair provisions that are sometimes in franchise documents If any of the following provisions are included in these franchise documents, the provisions are void for Michigan franchisees and cannot be enforced against Michigan franchisees These provisions are

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

(b) A requirement that a franchisee assent to a release, assignment, novation, waiver, or estoppel which deprives a franchisee of rights and protections provided in the Michigan Franchise investment law This will not preclude a franchisee, after entering into a Franchise Agreement, from settling any and all claims

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

(d) A provision that permits a franchisor to refuse to renew a franchise without fairly compensating the franchisee by repurchase or other means for the fair market value at the time of expiration of the franchisee's inventory, supplies, , fixtures, and furnishings Personalized materials which have no value to the franchisor and inventory, supplies, equipment, fixtures, and furnishings not reasonably required in the conduct of the franchise business are not subject to compensation This subsection applies only if

    (i) The term of the franchise is less than 5 years, and
    (ii) The franchisee is prohibited by the franchise or other agreement from continuing to conduct substantially the same business under another trademark, service mark, trade name, logotype, advertising, or other commercial symbol in the same area subsequent to the expiration of the franchise, or the franchisee does not receive at least six months' advance notice of the franchisor's intent not to renew the franchise

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

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

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

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

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

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

(iv) The failure of the franchisee or proposed transferee to pay any sums owing to the franchisor or to cure any breach in the Franchise Agreement existing at the time of the proposed transfer

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

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

The fact that there is a notice of this offering on file with the Attorney General does not constitute approval, recommendation or endorsement by the Attorney General A franchisor whose most recent financial statements are unaudited and show a net worth of less than $100,000 will, at the request of a franchisee, arrange for the escrow of initial investment and other funds paid by the franchisee until the obligations to provide real estate, improvements, equipment, inventory, training, or other items included in the franchise offering are fulfilled At the option of the franchisor, a surety bond may be provided in place of the escrow Any questions regarding this notice should be directed to the Department of the Michigan Attorney General, 6520 Mercantile Way, Suite 3, Lansing, Michigan 48913, (517) 373-3800

The name and address of the franchisor's agent in Michigan authorized to receive service of process is

Michigan Department of Commerce
Corporation and Securities Bureau
Office of Franchise and Agent Licensing
6546 Mercantile Way
P O Box 30222
Lansing, Michigan 48910

Minnesota

Minnesota law prohibits requiring a franchisee to waive his or her rights to a trial or to consent to liquidated damages, termination penalties, or judgment notes, provided, that this part will not bar a voluntary arbitration of any matter if the proceeding is conducted by an independent tribunal under the rules of the American Arbitration Association (Minn Rules 2860 4400(J))

Minnesota law provides franchisees with certain termination and non-renewal rights Minn Stat Sec 80C 14, Subd 3, 4 and 5 require, except in certain specified cases, that a franchisee be given **90** days' notice of termination (with **60** days to cure) and **100** days' notice for non-renewal of the Franchise Agreement

Minn Sat §80C 21 and Minn Rule 2860 4400J prohibits us from requiring litigation to be conducted outside Minnesota In addition, nothing in the Disclosure Document or agreement can abrogate or reduce any of your rights as provided for in Minnesota Statutes, 80C, or your rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction

FDD Item 13, FA Section 5

Minnesota Statutes Section 80C 20, Subdivision 1(g) allows the Minnesota Commissioner of the Department of Commerce to issue a cease and dismiss order or issue an order denying, suspending or revoking any registration, amendment or exception on finding any of the following that the method of sale or proposed method of sale of franchises or the operation of the business of the franchisor or any term or condition of the franchise agreement or any practice of the franchisor is or would be unfair or inequitable to franchisees Pursuant to this section, the Commissioner requires all franchisors registering in the state of Minnesota to state that the franchisor will protect the franchisee's right to use the trademarks, service marks, trade names, logo types or other commercial symbols or indemnify the franchisee from any loss, cost or expenses arising out of any claim, suit or demand regarding the use of the name We intend to comply with the Minnesota statute and to protect the franchisee's rights and indemnify the franchisee for any losses to the full extent required by relevant state law

FDD Item 17, FA Sections 6, 7 and 9

Minnesota Rule 2860 4400D prohibits a franchisor from requiring a franchisee to assent to a general release The general release provisions in the Franchise Agreement are void and unenforceable in the state of Minnesota

FA Section 9

Pursuant to Minnesota Statutes Section 80 C 21, this section will not in any way abrogate or reduce any rights of the franchisee as provided for in Minnesota Statutes, Chapter 80 C, including, but not limited to, the right to submit matters to the jurisdiction of the courts in Minnesota

NEW YORK

1 The following information is added to the cover page of the Franchise Disclosure Document

INFORMATION COMPARING FRANCHISORS IS AVAILABLE CALL THE STATE ADMINISTRATORS LISTED IN EXHIBIT A OR YOUR PUBLIC LIBRARY FOR SOURCES OF INFORMATION REGISTRATION OF THIS FRANCHISE BY NEW YORK STATE DOES NOT MEAN THAT NEW YORK STATE RECOMMENDS IT OR HAS VERIFIED THE INFORMATION IN THIS FRANCHISE DISCLOSURE DOCUMENT IF YOU LEARN THAT ANYTHING IN THE FRANCHISE DISCLOSURE DOCUMENT IS UNTRUE, CONTACT THE FEDERAL TRADE COMMISSION AND NEW YORK STATE DEPARTMENT OF LAW, BUREAU OF INVESTOR PROTECTION AND SECURITIES, 120 BROADWAY, 23RD FLOOR, NEW YORK, NEW YORK 10271 THE FRANCHISOR MAY, IF IT CHOOSES, NEGOTIATE WITH YOU ABOUT ITEMS COVERED IN THE FRANCHISE DISCLOSURE DOCUMENT HOWEVER, THE FRANCHISOR CANNOT USE THE NEGOTIATING PROCESS TO PREVAIL UPON A PROSPECTIVE FRANCHISEE TO ACCEPT TERMS WHICH ARE LESS FAVORABLE THAN THOSE SET FORTH IN THIS FRANCHISE DISCLOSURE DOCUMENT.

2 The following is added at the end of Item 3

Except as provided above, with regard to the franchisor, its predecessor, a person identified in Item 2, or an affiliate offering franchises under the franchisor's principal trademark

A No such party has an administrative, criminal or civil action pending against that person alleging a felony, a violation of a franchise, antitrust, or securities law, fraud, embezzlement, fraudulent conversion, misappropriation of property, unfair or deceptive practices, or comparable civil or misdemeanor allegations

B No such party has pending actions, other than routine litigation incidental to the business, which are significant in the context of the number of franchisees and the size, nature or financial condition of the franchise system or its business operations.

C No such party has been convicted of a felony or pleaded nolo contendere to a felony charge or, within the 10 year period immediately preceding the application for registration, has been convicted of or pleaded nolo contendere to a misdemeanor charge or has been the subject of a civil action alleging violation of a franchise, antifraud, or securities law,
fraud, embezzlement, fraudulent conversion or misappropriation of property, or unfair or deceptive practices or comparable allegations

D. No such party is subject to a currently effective injunctive or restrictive order or decree relating to the franchise, or under a Federal, State, or Canadian franchise, securities, antitrust, trade regulation or trade practice law, resulting from a concluded or pending action or proceeding brought by a public agency, or is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities and Exchange Act of 1934, suspending or expelling such person from membership in such association or exchange, or is subject to a currently effective injunctive or restrictive order relating to any other business activity as a result of an action brought by a public agency or department, including, without limitation, actions affecting a license as a real estate broker or sales agent

3 The following is added to the end of Item 4.

Neither the franchisor, any affiliate, predecessor, officer, or general partner during the 10-year period immediately before the date of the offering circular (a) filed as debtor (or had filed against it) a petition to start an action under the U S Bankruptcy Code, (b) obtained a discharge of its debts under the bankruptcy code, or (c) was a principal officer of a company or a general partner in a partnership that either filed as a debtor (or had filed against it) a petition to start an action under the U S. Bankruptcy Code or that obtained a discharge of its debts under the U S Bankruptcy Code during or within 1 year after that officer or general partner of the franchisor held this position in the company or partnership

4. The following is added to the end of Item 5

The initial franchise fee constitutes part of our general operating funds and will be used as such in our discretion.

5. The following is added to the end of the "Summary" sections of Item 17(c), titled "Requirements for franchisee to renew or extend," and Item 17(m), entitled "Conditions for franchisor approval of transfer"
However, to the extent required by applicable law, all rights you enjoy and any causes of action arising in your favor from the provisions of Article 33 of the General Business Law of the State of New York and the regulations issued thereunder shall remain in force, it being the intent of this proviso that the non-waiver provisions of General Business Law Sections 687 4 and 687.5 be satisfied.

6 The following language replaces the "Summary" section of Item 17(d), titled "Termination by franchisee"
You may terminate the agreement on any grounds available by law

7. The following is added to the end of the "Summary" section of Item 17(j), titled "Assignment of contract by franchisor"
However, no assignment will be made except to an assignee who in good faith and judgment of the franchisor, is willing and financially able to assume the franchisor's obligations under the Franchise Agreement

8 The following is added to the end of the "Summary" sections of Item 17(v), titled "Choice of forum", and Item 17(w), titled "Choice of law"
The foregoing choice of law should not be considered a waiver of any right conferred upon the franchisor or upon the franchisee by Article 33 of the General Business Law of the State of New York.

FDD Item 17

THIS TABLE LISTS CERTAIN IMPORTANT PROVISIONS OF THE FRANCHISE AND RELATED AGREEMENTS PERTAINING TO RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION YOU SHOULD READ THESE PROVISIONS IN THE AGREEMENTS ATTACHED TO THIS DISCLOSURE DOCUMENT

Choice of Law	Section 9 7	Texas law applies except to the extent governed by the United States Trademark Act and except in those states whose franchise laws require exclusive application The foregoing choice of law should not be considered a waiver of any right conferred upon the Franchisee by the GBL of the State of New York, Article 33
Assignment of Contract by Us	Section 6 3	There are no restrictions on our right to transfer However, no assignment will be made except to an assignee who in good faith and judgment of the franchisor, is willing and financially able to assume the franchisor's obligations under the franchise agreement
Termination by You	Section 6 2	You may terminate the Franchise Agreement on any grounds available by law

North Dakota

FDD Item 9

Under North Dakota law, no modification or change the franchisor makes to the Operations Manual or FAT NI BBQ System may materially affect the franchisee's status, rights, or obligations under the Franchise Agreement

FDD Item 17(c), FA Section 6.1

The Commissioner has determined that requiring franchisees to sign a general release upon renewal of the franchise agreement to be unfair, unjust, and inequitable within the intent of Section 51-19-09 of the North Dakota Franchise Investment law The general release provision in Section 6 1 of this Agreement is void and unenforceable in the state of North Dakota

FA Sections 5 and 6

The Commissioner has held that covenants restricting competition contrary to Section 9-08-06 of the North Dakota Century Code are unfair, unjust, or inequitable within the intent of the North Dakota Franchise Investment Law (Section 51-19-09) Thus, covenants not to compete are considered unenforceable in the State of North Dakota

FA Section 6

Pursuant to Section 51-19-09 of the North Dakota Franchise Investment Law, a requirement that franchisees consent to liquidated damages or termination penalties in the event of termination of the franchise agreement is considered void and unenforceable

FA Section 9 6

Apart from civil liability as set forth in section 51-19-12 N D D C, which is limited to violations of the North Dakota Franchise Investment Law (registration and fraud) the liability of the franchisor to a franchisee is based largely on contract law Despite the fact that those provisions are not contained in the franchise investment law, those provisions contain substantive rights intended to be afforded to North Dakota residents, and is unfair to franchise investors to require them to waive their rights under North Dakota Law

The North Dakota Franchise Investment Law (Section 51-19-09) requires that this Agreement will be governed by the laws of North Dakota, which laws will prevail

FA Section 9.9

Pursuant to the North Dakota Franchise Investment Law (Section 51-19-09), an arbitration or mediation locations which are remote from the site of the franchisee's business are unfair, unjust, or inequitable Therefore, the site of arbitration or mediation must be agreeable to all parties

Pursuant to the North Dakota Franchise Investment law (section 51-19-09), requiring franchisees to consent to the jurisdiction of courts outside of North Dakota is unfair, unjust, or inequitable Thus, all issues or disagreements relating to this Agreement will be arbitrated, tried, heard and decided within the jurisdiction of courts in the state of North Dakota

Sections of the Franchise Agreement stipulating that the franchisee shall pay all costs and expenses incurred by Franchisor in enforcing the agreement may not be enforceable under Section 51-19-09 of the North Dakota Franchise Investment Law

Rhode Island

Section 19-28 1-14 of the Rhode Island Franchise Investment Act provides that "A provision in a franchise agreement restricting jurisdiction or venue to a forum outside this state or requiring the application of the laws of another state is void with respect to a claim otherwise enforceable under this Act" The Disclosure Document and Franchise Agreement are amended accordingly to the extent required by law

South Dakota

FDD Item 17, FA Section 6

Under South Dakota law, termination provisions covering breach of the Franchise Agreement, failure to meet performance and quality standards and failure to make licensing payments contained in the Disclosure Document and franchise agreement must afford a franchisee **30** days' written notice with an opportunity to cure the breach prior to termination

FA Section 9

The law regarding 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 as to contractual and all other matters, this Agreement and all provisions of this instrument will be and remain subject to the application, construction, enforcement, and interpretation under the governing law of the State of Texas

Covenants not to compete upon termination of the franchise agreement are generally unenforceable in the State of South Dakota Pursuant to SDCL 37-5A-86, any acknowledgement 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

In the event that either party will make demand for arbitration, such arbitration will be conducted in a mutually agreed-upon site in accordance with Section 11 of the Commercial Arbitration Rules of the American Arbitration Association

Any provision in a franchise agreement which designates jurisdiction or venue or requires the franchisee to agree to jurisdiction or venue in a forum outside of South Dakota is void with respect to any cause of action which is otherwise enforceable in South Dakota

Virginia

FDD Item 9

In Virginia, notice of approval or disapproval of a proposed supplier will be issued by us within **45** days after the franchisee has delivered all required materials

Washington

FDD Item 17, Entire FA, including without limitation Section 6 and 7

In any arbitration involving a franchise purchased in Washington, the arbitration site will be either in the state of Washington, or in a place mutually agreed upon at the time of the arbitration, or as determined by the arbitrator

In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, Chapter 19 100 RCW will prevail

A release or waiver of rights executed by a franchisee will not include rights under the Washington Franchise Investment Protection Act, except when executed pursuant to a negotiated settlement after the Franchise Agreement is in effect and where the parties are represented by independent counsel Provisions such as those which unreasonably restrict or limit the statute of limitations period for claims under the Act, rights or remedies under the Act such as a right to a jury trial may not be enforceable

Transfer Fees are collectable to the extent that they reflect the franchisor's reasonable estimated or actual costs in effecting a transfer

The franchisee acknowledges receipt of this Addendum

Wisconsin

FDD Item 17

The applicable laws of Wisconsin may require notice periods greater than those set forth above for termination, cancellation, non-renewal, or the like, and may limit the reasons or causes for termination, cancellation, non-renewal, or the like To the extent any provisions of the Franchise Agreement provide for periods of notice or for termination, cancellation, non-renewal, or the like other than in accordance with the applicable law, such provisions will not be effective, to the extent such are not in accordance with applicable law, and the franchisor will comply with the applicable law

The Wisconsin Fair Dealership Law (Wisconsin Statutes, 1983-84, Title XIV-A, Chapter 135) supersedes any provision of a Franchise Agreement inconsistent with the law

It is agreed that the applicable foregoing state law addendum for the state of ____________, if any, supersedes any inconsistent portion of the Franchise Agreement (to which this addendum is attached) of this same date, and of the Franchise Disclosure Document All terms of the Franchise Agreement, including these State Law Addendum provisions for the relevant state, have been agreed to at the time the Franchise Agreement was signed, to the extent that they are valid requirements of an applicable, effective, and enforceable state law However, this addendum will have effect only if the Franchise Agreement or our relationship with you satisfies all of the jurisdictional requirements of the relevant state's franchise laws, without considering this addendum

DATED this __ day of _________, 20_

("we/us") **PengQiao LLC**
By ______________________
Title ______________________

(jointly and severally "you")
By ______________________________
Title ___________________________

By ______________________________
Title ___________________________

FRANCHISOR REPRESENTS THAT THIS PROSPECTUS DOES NOT KNOWINGLY OMIT ANY MATERIAL FACT OR CONTAIN ANY UNTRUE STATEMENT OF A MATERIAL FACT.

Franchise Disclosure Document Exhibit C

The Following Table Reflects Our Agents for Service of Process and the Relevant State Franchise Authorities

NAMES AND ADDRESSES OF STATE REGULATORY AUTHORITIES AND REGISTERED AGENTS IN STATES

STATE	REGISTERED AGENTS	REGULATORY AUTHORITIES
CALIFORNIA	California Commissioner of Business Oversight Los Angeles 320 West 4th Street Suite 750 Los Angeles CA 90013-2344 (213) 576-7505 Sacramento 1515 K Street Suite 200 Sacramento CA 95814-4052 (916) 445-7205 San Diego 1350 Front Street San Diego CA 92101-3697 (619) 525-4233 San Francisco One Sansome Street Suite 600 San Francisco CA 94104	Business Oversight Commissioner Department of Business Oversight 320 West 4th Street Suite 750 Los Angeles CA 90013-1105 (213) 576-7505
CONNECTICUT	The Banking Commissioner Department of Banking Securities and Business Investment Division 260 Constitution Plaza Hartford CT 06103-1800 (860) 240-8299	The Department of Banking Securities and Business Investment Division 260 Constitution Plaza Hartford CT 06103-1800 (860) 240-8299
FLORIDA	[Not Applicable]	Senior Consumer Complaint Analyst Department of Agriculture and Consumer Services Division of Consumer Services Mayo Building Second Floor Tallahassee Florida 32399-0800 (850) 922-2770
HAWAII	Commissioner of Securities of the Department of Commerce and Consumer Affairs 335 Merchant Street Room 203 Honolulu HI 96813-2921 (808) 586-2722	Commissioner of Securities of the Department of Commerce and Consumer Affairs 335 Merchant Street Room 203 Honolulu HI 96813-2921 (808) 586-2722
ILLINOIS	Illinois Attorney General Franchise Division 500 South Second Street Springfield IL 62706 (217) 782-4465	Illinois Attorney General Franchise Division 500 South Second Street Springfield IL 62706 (217) 782-4465

STATE	REGISTERED AGENTS	REGULATORY AUTHORITIES
INDIANA	Secretary of State Administrative Offices of the Secretary of State 201 State House Indianapolis IN 46204 (317) 232-6681	Securities Commissioner Securities Division Room E-111 302 West Washington Street Indianapolis IN 46204 (317) 232-6681
IOWA	[Not Applicable]	Director of Regulated Industries Unit Iowa Securities Bureau 340 East Maple Des Moines Iowa 50319-0066 (515) 281-4441
MARYLAND	Maryland Securities Commissioner 200 St Paul Place Baltimore MD 21202-2020 (410) 576-6360	Office of the Attorney General Division of Securities 200 St Paul Place Baltimore, MD 21202-2020 (410) 576-6360
MICHIGAN	Michigan Department of Commerce Corporations and Securities Bureau 525 W Ottowa 670 Law Building Lansing MI 48913 (517) 373-7117	Franchise Administrator Consumer Protection Division Antitrust and Franchise Unit Michigan Department of Attorney General 670 Law Building Lansing MI 48913 (517) 373-7117
MINNESOTA	Minnesota Commissioner of Commerce 85 7th Place East Suite 500 St Paul MN 55101-2198 (651) 296-6328	Deputy Commissioner Minnesota Department of Commerce 85 7th Place East Suite 500 St Paul MN 55101-2198 (651) 296-6328
NEBRASKA	[Not Applicable]	Staff Attorney Department of Banking and Finance 1200 N Street Suite 311 P O Box 95006 Lincoln Nebraska 68509 (402) 471-3445
NEW YORK	Secretary of State 99 Washington Avenue Albany NY 12231	Assistant Attorney General Bureau of Investor Protection and Securities New York State Department of Law 120 Broadway 23rd Floor New York NY 10271 (212) 416-8211
NORTH DAKOTA	North Dakota Securities Commissioner Fifth Floor 500 East Boulevard Bismarck, ND 58505	Franchise Examiner Office of Securities Commissioner 600 East Boulevard 5th Floor Bismarck ND 58505 (701) 328-4712
OREGON	Director of Oregon Department of Insurance and Finance Corporate Securities Section Labor and Industries Building Salem OR 97310 (503) 378-4387	Department of Consumer and Franchise Services Division of Finance and Corporate Securities Labor and Industries Building Salem OR 97310 (503) 378-4387

STATE	REGISTERED AGENTS	REGULATORY AUTHORITIES
RHODE ISLAND	Director of Rhode Island Department of Franchise Regulation Division of Securities Suite 232 Providence RI 02903 (401) 222-3048	Associate Director and Superintendent of Securities Division of Securities 233 Richmond Street Suite 232 Providence RI 02903-4232 (401) 222-3048
SOUTH DAKOTA	Director of South Dakota Division of Securities 445 E Capitol Ave Pierre SD 57501 (605) 773-4823	Franchise Administrator Division of Securities 445 East Capitol Avenue Pierre SD 57501-5070 (605) 773-4013
TEXAS	[Not Applicable]	Secretary of State Statutory Document Section P O Box 12887 Austin TX 78711 (512) 475-1769
UTAH	[Not Applicable]	Division of Consumer Protection Utah Department of Commerce 160 East Three Hundred South P O Box 45804 Salt Lake City Utah 84145-0804 (801) 530-6601
VIRGINIA	Clerk of the State Corporation Commission 1300 E Main Street 1st Floor Richmond VA 23219 (804) 371-9733	Chief Examiner/Investigator State Corporation Commission Division of Securities and Retail Franchising 1300 E Main Street, 9th Floor Richmond VA 23219 (804) 371-9051
WASHINGTON	Director of Department of Financial Institutions Securities Division P O Box 9033 Olympia WA 98507-9033 (360) 902-8760	Administrator Dept of Financial Institutions Securities Division P O Box 9033 Olympia WA 98507-9033 (360) 902-8760
WISCONSIN	Wisconsin Commissioner of Securities P O Box 1768 345 W Washington Avenue 4th Floor Madison WI 53703 (608) 261-9555	Franchise Administrator Securities and Franchise Registration Wisconsin Securities Commission 345 W Washington Avenue 4th Floor Madison WI 53703 (608) 261-9555
FEDERAL TRADE COMMISSION		Franchise Rule Coordinator Division of Marketing Practices Bureau of Consumer Protection Pennsylvania Avenue at 6th Street NW Washington D C 20580 (202) 326-3128

Franchise Disclosure Document Exhibit D
RECEIPT

This franchise disclosure document summarizes certain provisions of the franchise agreement and other information in plain language Read this disclosure document and all agreements carefully If **PengQiao LLC** offers you a franchise, it must provide this franchise disclosure document to you by the earliest of

1 The first personal meeting to discuss the franchise (if you are in New York or Rhode Island), OR
2 14 calendar days before you sign a binding agreement or make a payment with the franchisor or an affiliate in connection with the proposed franchise sale (10 business days if you are in Michigan, New York, Rhode Island)

If **PengQiao LLC** does not deliver this franchise disclosure document on time or if it contains a false or misleading statement, or a material omission, a violation of federal and State law may have occurred and should be reported to the Federal Trade Commission, Washington, D C 20580 and the state agency listed in Exhibit D

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

Yan Chen, 2701 Custer Pkwy Ste 823, Richardson TX 75080
Other

Our authorized agents for service of process are identified on Exhibit E to this Franchise Disclosure Document

Date of Issuance April 23, 2019
I have received a disclosure document dated as indicated above that included the following Exhibits

A Sample Franchise Agreement
B State Law Addendum
C List of State Agents for Service of Process and State Administrators
D Acknowledgments of Receipt of Franchise Disclosure Document by Prospective Franchisee

DATED this __ day of ____________, 20_

Signatures of All Prospective Franchisees

Individuals ______________________ ________________________

Name of Corporation/LLC/Partnership ________________________

By ________________________ Title ________________________

ALL INDIVIDUALS WHO WILL SIGN THE FRANCHISE AGREEMENT MUST SIGN THIS ACKNOWLEDGMENT IF THE FRANCHISE AGREEMENT WILL ALSO BE EXECUTED BY A CORPORATION OR LIMITED LIABILITY COMPANY AN OFFICER OR OWNER AUTHORIZED TO RECEIVE THIS CIRCULAR ON BEHALF OF THE CORPORATION OR LIMITED LIABILITY COMPANY MUST EXECUTE THIS ACKNOWLEDGMENT IF THE FRANCHISE AGREEMENT WILL BE EXECUTED BY A PARTNERSHIP THEN ALL GENERAL PARTNERS MUST EXECUTE THIS ACKNOWLEDGMENT AS GENERAL PARTNERS AND AS INDIVIDUALS

KEEP THIS COPY FOR YOUR RECORDS

Franchise Disclosure Document Exhibit E
RECEIPT

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DATED this __ day of ____________, 20_

Signatures of All Prospective Franchisees

Individuals ______________________ ________________________

Name of Corporation/LLC/Partnership ________________________

By ________________________ Title ________________________

ALL INDIVIDUALS WHO WILL SIGN THE FRANCHISE AGREEMENT MUST SIGN THIS ACKNOWLEDGMENT IF THE FRANCHISE AGREEMENT WILL ALSO BE EXECUTED BY A CORPORATION OR LIMITED LIABILITY COMPANY AN OFFICER OR OWNER AUTHORIZED TO RECEIVE THIS CIRCULAR ON BEHALF OF THE CORPORATION OR LIMITED LIABILITY COMPANY MUST EXECUTE THIS ACKNOWLEDGMENT IF THE FRANCHISE AGREEMENT WILL BE EXECUTED BY A PARTNERSHIP THEN ALL GENERAL PARTNERS MUST EXECUTE THIS ACKNOWLEDGMENT AS GENERAL PARTNERS AND AS INDIVIDUALS

PLEASE SIGN THIS COPY OF THE RECEIPT, DATE YOUR SIGNATURE, AND RETURN IT TO PENGQIAO LLC , Yan Chen, 2701 Custer Pkwy Ste 823, Richardson TX 75080